

Italy - Food

Results in line with expectations, good performance in Q2

16th September 2024

H1-24 RESULTS RELEASE

RIC: ORSO.MI
BBG: ORS IM

In H1-24, the market environment was characterised by poor sales volumes of F&V in Europe. Nevertheless, Orsero achieved a good performance in terms of profitability, especially in Q2, thanks to growing selling prices in all the product categories except bananas. In particular, in the context of declining consumption, profitability benefitted from the group's focus on higher value-added products.

Rating:

Buy

Price Target:

€ 24.00

Upside/(Downside): **98.0%**

Last Price: **€ 12.12**

Market Cap.: **€ 214.3m**

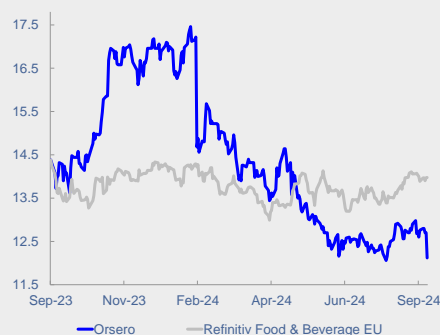
1Y High/Low: **€ 17.56 / € 11.76**

Avg. Daily Turn. (3M, 6M): **€ 334k, € 401k**

Free Float: **55.2%**

Major shareholders:

FIF Holding 33.4%
Grupo Fernández 6.7%



Stock price performance

	1M	3M	12M
Absolute	-6.2%	-1.6%	-13.2%
Rel.to FTSE IT STAR	-6.2%	1.0%	-17.6%
Rel.to EU Sector	-8.4%	-3.9%	-10.9%

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Estimates fine-tuned. PT unchanged at € 24.00/s, 98.0% upside. Buy reiterated

Orsero's H1-24 results showed the trend already anticipated in Q1 and with the FY-24 guidance, namely broadly stable turnover and a reduction in profitability due to a full back-to-normal of the shipping activity and lower margins concerning bananas, after an exceptional FY-23. Following the H1-24 results release, we have fine-tuned our model to factor in: 1) lower than previously expected top-line growth in both the BUs; 2) broadly in-line assumptions about profitability; 3) higher tax rate due to the lower portion of profit stemming from the Shipping BU. The combined result is an average 3.0%, 2.0% and 6.6% decline in revenues, Adj. EBITDA and Adj. Net Profit in 2024-26. Moreover, we updated the DCF valuation criteria, bringing the Risk-Free Rate up to date, which now points to 3.80% (prev. 4.18%). Due to the combined effect of estimate revision and the lower Risk-Free Rate, the PT remained unchanged at € 24.00/s, 98.0% upside. Buy recommendation reiterated.

Revenues of € 744m, EBITDA margin at 5.5%. NFP of ca. € 130m

In H1-24, revenues totalled € 744.1m, down by 2.5% YoY, broadly in line with the company's expectations and the market dynamics. Adj. EBITDA was € 40.9m, 5.5% margin (€ 59.2m, 7.8% margin, in H1-23), in line with the historical level of the group and well above the market competitors. Adj. Group's Net Profit came in at € 15.6m, down from € 33.4m in H1-23 as a result of lower margins, slightly higher D&A expenses and lower financial charges and taxes. NFP was € 129.9m compared to € 139.0m as of 31-Mar-24 and € 127.8m at year-end 2023, unveiling good CF generation and excellent WC management, offset by capex of € 8.0m, dividends payment of € 10.2m and treasury shares buyback of € 0.6m. By excluding the figurative debt stemming from the application of the IFRS-16 accounting principle, NFP was € 69.8m compared to € 67.1m at year-end 2023.

Distribution with 4.5% EBITDA margin, best in class in the sector

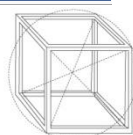
The Distribution BU reached € 707.1m compared to € 716.4m in H1-23, mainly as a result of a normalisation of the Banana business in line with the historical trend following a brilliant 2023, the weak consumption of a few winter campaigns' products in Q1, and decreasing avocado volumes in Mexico, counterbalanced by a good performance of exotic fruits and kiwis in Q2. In particular, Orsero intentionally decided to reduce the sale of third-party bananas to the Italian large retail chains with an impact of ca. € 6m on H1-24 turnover. The goal is to replace these products with higher value-added items, with a potential positive impact on profitability. Adj. EBITDA was € 31.9m, 4.5% margin, thanks to a good performance in Q2 (5.2% margin) mainly thanks to exotic fruits and kiwis which partially compensated for the weak profitability in Q1.

Shipping fully back to normal with satisfactory profitability of the reefer activity

The Shipping BU totalled € 57.9m, down by € 11.1m compared to the exceptional results achieved in H1-23, on the back of the full back-to-normal of the "dry cargo" activity whereas the "reefer" business showed stable freight rates and a satisfactory profitability thanks to a good loading factor. The Shipping BU's adj. EBITDA was € 12.9m, 22.2% margin.

Orsero, key financials and ratios

€ m	2022	2023	2024e	2025e	2026e
Net Revenues	1,196.3	1,540.8	1,530.0	1,552.3	1,566.6
Adjusted EBITDA	76.1	107.1	80.1	80.8	81.2
Adjusted EBIT	45.7	72.8	44.9	45.0	45.2
Net Profit	32.3	47.3	25.6	26.6	26.8
Adjusted Net Profit	36.9	54.1	28.3	29.3	29.4
Y/E net debt (net cash)	67.4	127.8	118.4	109.9	96.9
EPS adjusted FD	2.09	3.06	1.60	1.65	1.66
EPS adj. FD growth	93.2%	46.7%	-47.8%	3.6%	0.6%
DPS ord. €/s	0.35	0.60	0.60	0.60	0.60
Dividend yield	2.9%	5.0%	5.0%	5.0%	5.0%
Free Cash Flow Yield	11.1%	5.6%	15.7%	15.2%	17.3%
PER x	6.5	4.6	7.6	7.3	7.3
EV/Sales x	0.26	0.24	0.22	0.21	0.20
EV/EBITDA x	4.0	3.5	4.2	4.0	3.8
EV/EBIT x	6.7	5.2	7.4	7.2	6.9



The company at a glance

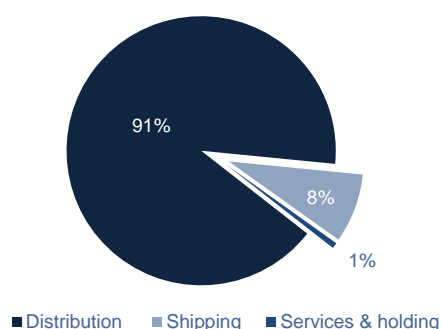
Orsero is an international group headquartered in Milan, operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded some 80 years ago by the Orsero family. The current business structure includes the distribution of fresh F&Vs as well as the import, production and export of fruit together with chilled maritime transportation. Orsero boasts a significant presence in southern Europe, namely in Italy, France, Spain, Portugal, and Greece, and production facilities in Costa Rica, Colombia and Mexico.

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.

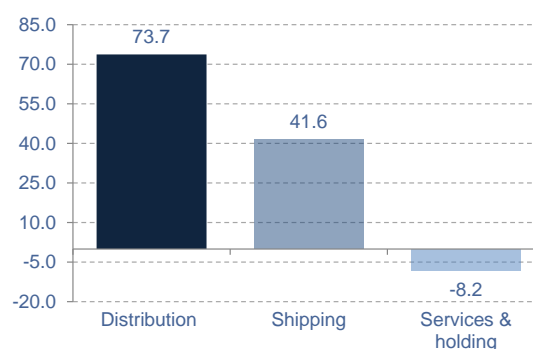
2023 Orsero highlights: revenues of € 1.541m, adj. EBITDA of € 107.1m (7.0% margin), adjusted net profit equal to € 54.1m and net financial position of € 127.8m (1.2x adj. EBITDA).

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 28-Oct-16. Orsero has been trading on the Euronext STAR Milan segment since 23-Dec-19.

2023 Gross Turnover...



...and EBITDA by business



Shareholder structure

	%	# m
FIF Holding	33.4%	5.90
Grupo Fernandez	6.7%	1.18
Treasury Shares	4.7%	0.83
Free Float	55.2%	9.77
o/w Praude Asset Management	8.4%	1.48
First Capital	5.6%	1.00
Total	100.0%	17.68

Source: company data

Peer group absolute performance

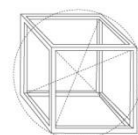
%	1D	1W	1M	3M	6M	YTD
Calavo Growers Inc	(2.1)	20.3	17.2	15.1	0.6	(1.3)
Dole PLC	1.7	1.4	5.2	36.3	36.5	31.5
Fresh Del Monte Produce Inc	1.2	(1.2)	4.5	31.8	15.8	9.8
Greenyard NV	(1.0)	0.3	2.3	(2.8)	23.3	4.7
Mission Produce Inc	(0.5)	22.8	27.0	28.5	9.2	30.6
Omer Decugis & Cie SA	(0.4)	(2.5)	1.5	8.1	4.7	12.6
Peers Median	(0.5)	0.9	4.9	21.8	12.5	11.2
Orsero SpA	(4.6)	(5.0)	(6.2)	(1.6)	(16.1)	(28.5)
FTSE Italia STAR	1.2	1.5	(0.0)	(2.6)	(1.7)	(4.3)
EU Sector	0.0	0.6	2.2	2.2	1.2	(2.5)
Orsero SpA to peers	(4.1)	(5.9)	(11.1)	(23.4)	(28.6)	(39.7)
Orsero SpA to FTSE Italia STAR	(5.7)	(6.5)	(6.2)	1.0	(14.3)	(24.2)
Orsero SpA to EU Sector	(4.6)	(5.7)	(8.4)	(3.9)	(17.3)	(26.0)

Source: Refinitiv Eikon

Peer group multiples table

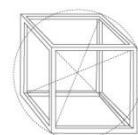
Price & EV multiples x	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Calavo Growers Inc	21.2	16.6	15.3	14.4	12.9	13.0	n.a.	n.a.	n.a.
Dole PLC	11.3	10.6	9.0	5.8	5.4	4.9	5.9	5.4	5.6
Fresh Del Monte Produce Inc	15.7	11.8	n.a.	8.1	6.8	n.a.	n.a.	n.a.	n.a.
Greenyard NV	10.8	7.9	5.9	2.3	2.2	2.0	3.7	2.2	3.1
Mission Produce Inc	30.6	72.6	n.a.	11.6	15.0	n.a.	n.a.	n.a.	n.a.
Omer Decugis & Cie SA	8.5	5.6	4.5	5.9	4.2	3.5	5.3	3.1	2.3
Median	13.5	11.2	7.5	7.0	6.1	4.2	5.3	3.1	3.1
Orsero SpA	7.6	7.3	7.3	3.4	3.3	3.3	4.2	4.0	3.8
% (Disc.)/Prem. to peer	(43.8)	(34.6)	(2.7)	(51.8)	(46.3)	(21.7)	(22.0)	27.7	24.8

Sources: CFO SIM, Refinitiv Eikon





Income statement (€ m)	2022	2023	2024e	2025e	2026e
Net Revenues	1,196.3	1,540.8	1,530.0	1,552.3	1,566.6
COGS	(1,077.4)	(1,369.3)	(1,382.5)	(1,403.1)	(1,416.2)
Gross Profit	118.8	171.5	147.5	149.2	150.4
SG&A	(78.9)	(106.5)	(105.8)	(107.3)	(108.3)
EBIT	39.9	64.9	41.7	41.8	42.0
Financials	(5.9)	(10.4)	(10.3)	(9.1)	(9.1)
Results from investments	2.0	1.6	1.6	1.6	1.6
Pre-Tax Profit	36.1	56.1	33.1	34.3	34.5
Taxes	(3.7)	(8.0)	(6.6)	(6.9)	(6.9)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.2)	(0.9)	(0.8)	(0.9)	(0.9)
Net Profit	32.3	47.3	25.6	26.6	26.8
D&A and Provisions	(30.4)	(34.3)	(35.1)	(35.8)	(36.0)
Non-recurring items	(5.8)	(7.9)	(3.2)	(3.2)	(3.2)
Adjusted EBITDA	76.1	107.1	80.1	80.8	81.2
Adjusted EBIT	45.7	72.8	44.9	45.0	45.2
Adjusted Net Profit	36.9	54.1	28.3	29.3	29.4
Balance sheet (€ m)	2022	2023	2024e	2025e	2026e
Net Working Capital	31.7	37.4	32.0	32.5	32.7
Net Fixed Assets	222.2	322.7	325.9	326.6	323.0
Equity Investments	19.4	20.6	21.0	21.4	21.8
Other M/L Term A/L	(4.4)	(14.3)	(5.8)	1.6	9.0
Net Invested Capital	268.9	366.3	373.2	382.0	386.6
Net Financial Debt/(cash)	67.4	127.8	118.4	109.9	96.9
Minorities	0.4	1.7	2.6	3.4	4.3
Group's Shareholders Equity	201.1	236.8	252.2	268.7	285.4
Financial Liabilities & Equity	268.9	366.3	373.2	382.0	386.6
Cash Flow statement (€ m)	2022	2023	2024e	2025e	2026e
Total net income	32.5	48.1	26.4	27.5	27.6
Depreciation	28.1	31.5	32.3	32.9	33.1
Other non-cash charges	(4.2)	1.3	(8.5)	(7.4)	(7.4)
Cash Flow from Oper. (CFO)	56.4	80.9	50.2	53.0	53.3
Change in NWC	(1.5)	(5.7)	5.3	(0.4)	(0.3)
FCF from Operations (FCFO)	54.9	75.2	55.6	52.6	53.1
Net Investments (CFI)	(31.1)	(63.1)	(22.0)	(20.0)	(16.0)
Free CF to the Firm (FCFF)	23.8	12.1	33.6	32.6	37.1
CF from financials (CFF)	(10.0)	9.1	(13.2)	(24.1)	(24.1)
Free Cash Flow to Equity (FCFE)	13.8	21.2	20.3	8.5	13.0
Financial ratios	2022	2023	2024e	2025e	2026e
Adjusted EBITDA margin	6.4%	7.0%	5.2%	5.2%	5.2%
EBIT margin	3.3%	4.2%	2.7%	2.7%	2.7%
Net profit margin	2.7%	3.1%	1.7%	1.7%	1.7%
Tax rate	10.2%	14.2%	20.0%	20.0%	20.0%
Op NWC/Sales	2.6%	2.4%	2.1%	2.1%	2.1%
Interest coverage x	0.15	0.16	0.25	0.22	0.22
Net Debt/EBITDA adj. x	0.89	1.19	1.48	1.36	1.19
Debt-to-Equity x	0.34	0.54	0.47	0.41	0.34
ROIC	12.0%	12.9%	6.9%	7.0%	6.9%
ROCE	12.8%	15.3%	8.9%	8.7%	8.4%
ROACE	13.2%	17.5%	9.2%	8.8%	8.6%
ROE	16.0%	20.0%	10.1%	9.9%	9.4%
Payout ratio	18.8%	21.5%	39.5%	38.0%	37.8%
Per share figures	2022	2023	2024e	2025e	2026e
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 €	1.82	2.67	1.45	1.50	1.51
EPS adjusted FD €	2.09	3.06	1.60	1.65	1.66
EBITDA €	4.30	6.06	4.53	4.57	4.59
EBIT €	2.26	3.67	2.36	2.37	2.38
FCFO €	3.11	4.25	3.14	2.97	3.00
FCFF €	1.35	0.68	1.90	1.84	2.10
FCFE €	0.78	1.20	1.15	0.48	0.73
Dividend €	0.35	0.60	0.60	0.60	0.60



Q2/H1-24 results

Orsero's H1-24 results showed the trend already anticipated in Q1 and with the FY-24 guidance, namely broadly stable turnover and a reduction in profitability due to a full back-to-normal of the shipping activity and lower margins concerning bananas, after an exceptional FY-23. In Q2-24, **the Distribution BU performed well thanks to the continuing improvement of the product mix and good campaigns concerning exotic fruits and kiwis**, partially counterbalanced by the intentional reduction in sales of third-party bananas. The good level of profitability achieved in Q2 coupled with excellent WC management, allowed Orsero to generate significant cash flows.

Table 1 – Orsero, quarterly results summary

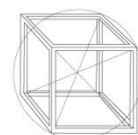
€ m	Q1-24	Q1-23	% YoY	Q2-24	Q2-23	% YoY	H1-24	H1-23	% YoY
Net Revenues	337.9	347.3	(2.7)	406.2	416.1	(2.4)	744.1	763.4	(2.5)
COGS	(306.4)	(307.0)		(365.8)	(366.6)		(672.2)	(673.6)	
Gross Profit	31.5	40.4	(22.0)	40.4	49.5	(18.3)	71.9	89.9	(20.0)
% margin	9.3	11.6		9.9	11.9		9.7	11.8	
SG&A	(24.0)	(24.1)		(24.9)	(24.7)		(48.8)	(48.8)	
Other	1.1	1.4		(1.2)	(1.4)		(0.0)	(0.0)	
EBIT	8.7	17.7	(50.8)	14.4	23.4	(38.4)	23.1	41.1	(43.8)
% margin	2.6	5.1		3.5	5.6		3.1	5.4	
Financials	(2.6)	(2.6)		(2.4)	(2.6)		(4.9)	(5.1)	
Results from investments	0.3	0.2		0.6	0.9		1.0	1.1	
Pre-Tax Profit	6.5	15.3	(57.9)	12.6	21.7	(41.7)	19.1	37.0	(48.4)
% margin	1.9	4.4		3.1	5.2		2.6	4.8	
Taxes	(1.5)	(2.4)		(2.5)	(2.2)		(4.0)	(4.6)	
Tax Rate	23.0%	15.5%		20.1%	10.3%		21.1%	12.5%	
Discontinued	0.0	0.0		0.0	0.0		0.0	0.0	
Minorities	(0.4)	(0.5)		(0.1)	(0.0)		(0.4)	(0.5)	
Group's Net Profit	4.6	12.5	(63.0)	10.0	19.4	(48.4)	14.6	31.8	(54.1)
% margin	1.4	3.6		2.5	4.7		2.0	4.2	
D&A	(7.9)	(7.7)		(8.2)	(7.7)		(16.0)	(15.4)	
Provision	(0.3)	(0.3)		(0.3)	(0.6)		(0.6)	(1.0)	
Top Management Incentives	0.0	(0.2)		0.0	(0.2)		0.0	(0.4)	
Non-recurring income/expenses	0.1	(0.4)		(1.2)	(1.0)		(1.2)	(1.4)	
Adjusted EBITDA	16.8	26.2	(35.9)	24.1	33.0	(27.0)	40.9	59.2	(30.9)
% margin	5.0	7.6		5.9	7.9		5.5	7.8	
Adjusted EBIT	8.6	18.2	(52.7)	15.6	24.6	(36.5)	24.2	42.8	(43.4)
% margin	2.6	5.2		3.8	5.9		3.3	5.6	
Adjusted Group's Net Profit	4.6	12.9	(64.7)	11.0	20.5	(46.3)	15.6	33.4	(53.4)
% margin	1.4	3.7		2.7	4.9		2.1	4.4	

Sources: CFO SIM's elaboration based on company data

In H1-24, **revenues totalled € 744.1m, down by 2.5% YoY**, broadly in line with the company's expectations and the market dynamics. Sales volumes of fruit and vegetables in Europe are still low despite the tiny slowdown in inflation. In this context, **Orsero experienced declining volumes but a positive price effect**, with growing prices in all the product categories except for bananas.

By deep diving into the business units:

- **The Distribution BU reached € 707.1m** compared to € 716.4m in H1-23, mainly as a result of a **normalisation of the Banana business in line with the historical trend** following a brilliant 2023, the weak consumption of a few winter campaigns' products in Q1, and decreasing avocado volumes in Mexico, counterbalanced by a **good performance of exotic fruits and kiwis in Q2**. In particular, Orsero intentionally decided to reduce the sale of third-party bananas to the Italian large retail chains with an impact of approximately € 6m on H1-24 turnover. The goal is to replace these products with higher value-added items, with a potential positive impact on profitability.



Adj. EBITDA was € 31.9m, 4.5% margin, thanks to a good performance in Q2 (5.2% margin) mainly thanks to exotic fruits and kiwis which partially compensated for the weak profitability in Q1.

- **The Shipping BU totalled € 57.9m**, down by € 11.1m compared to the exceptional results achieved in H1-23, on the back of the full back-to-normal of the "dry cargo" activity whereas the "reefer" business showed stable freight rates and a satisfactory profitability thanks to a good loading factor. The Shipping BU's **adj. EBITDA was € 12.9m, 22.2% margin**.

Adjusted EBITDA was € 40.9m, 5.5% margin (€ 59.2m, 7.8% margin, in H1-23), in line with the historical level of the group and well above the market competitors.

Adjusted Group's Net Profit came in at € 15.6m, down from € 33.4m in H1-23 as a result of lower margins, slightly higher D&A expenses and lower financial charges and taxes. The increased tax rate is due to the tax effect linked to the lower contribution of the Shipping BU to the net profit (i.e. tonnage tax).

Table 2 – Orsero, quarterly revenues and EBITDA breakdown

€ m	Q1-24	Q1-23	% YoY	Q2-24	Q2-23	% YoY	H1-24	H1-23	% YoY
Net Revenues	337.9	347.3	(2.7)	406.2	416.1	(2.4)	744.1	763.4	(2.5)
Distribution	320.3	323.1	(0.9)	386.8	393.3	(1.7)	707.1	716.4	(1.3)
Shipping	28.1	34.5	(18.6)	29.9	34.5	(13.5)	57.9	69.0	(16.1)
Holding&Services	2.6	2.8	(8.6)	2.7	2.6	6.8	5.3	5.4	(1.3)
Intercompany	(13.1)	(13.1)	(0.0)	(13.2)	(14.3)	7.7	(26.2)	(27.3)	4.0
Adjusted EBITDA	16.8	26.2	(35.9)	24.1	33.0	(27.0)	40.9	59.2	(30.9)
Distribution	11.7	15.6	(25.0)	20.2	23.1	(12.4)	31.9	38.7	(17.5)
Holding&Services	7.2	12.9	(44.3)	5.7	12.1	(53.1)	12.9	25.1	(48.6)
Services	(2.1)	(2.3)	9.7	(1.8)	(2.2)	17.6	(3.9)	(4.5)	13.6
Adjusted EBITDA %	5.0	7.6	-257bps	5.9	7.9	-200bps	5.5	7.8	-226bps
Distribution %	3.7	4.8	-118bps	5.2	5.9	-64bps	4.5	5.4	-88bps
Holding&Services %	25.6	37.4	n.m.	19.1	35.2	n.m.	22.2	36.3	n.m.
Services %	(80.1)	(81.1)	96bps	(67.0)	(86.8)	n.m.	(73.4)	(83.8)	n.m.

Sources: CFO SIM's elaboration based on company data

Net Financial Position was € 129.9m compared to € 139.0m as of 31-Mar-24 and € 127.8m at year-end 2023, unveiling good CF generation sustained by profitability and excellent WC management. In H1-24, Orsero made **capex of € 8.0m**, of which 1) € 2.2m for warehouse upgrade in Italy and France, 2) € 1.2m for bananas and avocados ripening rooms in France and Spain, 3) € 0.5m for the ERP in Italy, Spain and Portugal, 4) € 0.5m for the retooling of the Alverca warehouse, and 5) € 3.5m related to several minor recurring investments on distribution platforms.

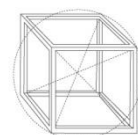
Furthermore, **Orsero distributed € 10.2m of dividends** (€ 0.60/s) in May and **purchased € 0.6m of treasury shares** through a buy-back program during the semester.

By excluding the figurative debt stemming from the application of the IFRS-16 accounting principle, NFP was € 69.8m compared to € 67.1m at year-end 2023.

Table 3 – Orsero, H1-24 KPIs balance sheet

€ m	H1-24	FY-23	% YoY
Shareholders' Equity	243.4	238.5	2.0
Net Financial Position	129.9	127.8	1.6
NFP/Shareholders' Equity	0.53	0.54	
NFP/Adjusted EBITDA	n.m.	1.19	
Net Financial Position ex. IFRS16	69.8	67.1	4.1
NFP/Shareholders' Equity excl. IFRS-16	0.29	0.28	
NFP/Adjusted EBITDA excl. IFRS-16	n.m.	0.74	

Sources: company data



Estimates, valuation & risks

In H1-24, the market environment was characterised by **poor sales volumes of fruit and vegetables in Europe** despite the slowdown of inflationary pressure and the declining selling prices of certain product categories. Nevertheless, Orsero achieved a good performance in terms of profitability, especially in Q2, thanks to growing selling prices in all the product categories except bananas.

In particular, in the context of declining consumption, **profitability benefited from the group's focus on higher value-added products** (like kiwis and exotic fruits) to the detriment of commodity products with low marginality (such as third parties' bananas).

Following the H1-24 results release, **we have fine-tuned our model** to factor in: 1) lower than previously expected top-line growth in both the business units; 2) broadly in-line assumptions about profitability; 3) higher tax rate due to the lower portion of profit stemming from the Shipping BU, which is subjected to the "tonnage tax". The combined result is **an average 3.0%, 2.0% and 6.6% decline in revenues, Adj. EBITDA and Adj. Net Profit in 2024-26**.

Table 4 – Orsero, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Revenues	1,530.0	1,580.4	(3.2)	(50.4)
Adjusted EBITDA	80.1	83.1	(3.7)	(3.1)
% margin	5.2	5.3		
Adjusted EBIT	44.9	47.9	(6.3)	(3.0)
% margin	2.9	3.0		
Adjusted Net Profit	28.3	31.6	(10.6)	(3.4)
% margin	1.8	2.0		
Y/E net debt / (net cash)	118.4	109.2	8.4	9.2

Source: CFO SIM

Table 5 – Orsero, 2025e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Revenues	1,552.3	1,597.2	(2.8)	(44.9)
Adjusted EBITDA	80.8	82.0	(1.4)	(1.2)
% margin	5.2	5.1		
Adjusted EBIT	45.0	46.1	(2.4)	(1.1)
% margin	2.9	2.9		
Adjusted Net Profit	29.3	30.9	(5.3)	(1.6)
% margin	1.9	1.9		
Y/E net debt / (net cash)	109.9	99.2	10.8	10.7

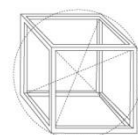
Source: CFO SIM

Table 6 – Orsero, 2026e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Revenues	1,566.6	1,614.4	(3.0)	(47.8)
Adjusted EBITDA	81.2	81.9	(0.8)	(0.6)
% margin	5.2	5.1		
Adjusted EBIT	45.2	45.8	(1.2)	(0.6)
% margin	2.9	2.8		
Adjusted Net Profit	29.4	30.6	(3.9)	(1.2)
% margin	1.9	1.9		
Y/E net debt / (net cash)	96.9	85.0	14.0	11.9

Source: CFO SIM

Moreover, we updated the DCF valuation criteria, bringing the Risk-Free Rate up to date, which now points to 3.80% (prev. 4.18%). Due to the combined effect of estimate revision and the lower Risk-Free rate, the **PT remained unchanged at € 24.00/s, 98.0% upside. Buy recommendation reiterated.**



We remind that **the company's FY-24 guidance** includes:

- ✓ Net Revenues of € 1,530-1,590m;
- ✓ Adj. EBITDA of € 77-84m (5.0-5.3% margin);
- ✓ Adj. Net Profit of € 28-32m;
- ✓ capex of € 21-23m;
- ✓ NFP of € 110-105m, including € 10m dividends but not considering the execution of the buyback program.

DCF

In the valuation via the DCF method explicit estimates until 2028 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 7 - Orsero, WACC derived from:

Interest costs, pre-tax	4.5%
Tax rate	20.0%
Int. costs, after taxes	3.6%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200d moving average)	3.80%
Beta levered (x)	0.66
Required ROE	9.7%

Source: CFO SIM

Risk premium at 9.0% factors in the minute size of the company and basically all small capitalisation-related concerns that an investor might have. **Beta at 0.66x** corresponds to Orsero's 5Y levered beta (source: Refinitiv Eikon). The **risk-free rate at 3.80%** (previously 4.18%) 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 8 - Orsero, DCF model

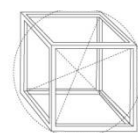
€ m	2024e	2025e	2026e	2027e	2028e	TV
EBIT	41.7	41.8	42.0	41.7	41.9	
Tax rate	20.0%	20.0%	20.0%	20.0%	20.0%	
Operating profit (NOPAT)	33.4	33.5	33.6	33.4	33.5	
Change working capital	5.3	(0.4)	(0.3)	(0.2)	(0.2)	
Depreciation	32.3	32.9	33.1	24.6	16.0	
Investments	(22.0)	(20.0)	(16.0)	(16.0)	(16.0)	
Free Cash Flows	49.0	46.0	50.5	41.7	33.3	488.2
Present value	48.0	41.7	42.4	32.5	24.1	352.4
WACC	7.9%	7.9%	7.9%	7.9%	7.9%	
Long-term growth rate	1.0%					

Source: CFO SIM

Table 9 – Orsero, DCF equity value derived from:

€ m	
Total EV present value	541.0
	<i>thereof terminal value</i>
	65.1%
NFP last reported	(127.8)
Pension provision last reported	(9.0)
Equity value	404.3
#m shares (ex. treasury shares)	16.85
Equity value €/s	24.00
<i>% upside/(downside)</i>	<i>98.0%</i>

Source: CFO SIM



The application of the model produces an equity value of € 404.3m, corresponding to € 24.00/share, 98.0% upside.

The following tables illustrate that **sensitivity 1)** compared to changes in the **terminal growth rate**, produces an equity value of € 21.17-27.78/s (perpetuity range of between 0.00% and 2.00%), while, 2) if compared to changes in the **risk-free rate**, it produces an equity value of € 19.25-31.13/s (risk-free rate range of between 5.80% and 1.80%) and 3) if compared to changes in the **risk premium**, including small size premiums, it results in an equity value of € 20.67-28.33/s (risk premium range of between 11.00% and 7.00%).

Table 10 – 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	188.6	188.6	188.6	188.6	188.6	188.6	188.6	188.6	188.6
PV of terminal value	304.7	315.5	326.9	339.2	352.4	366.5	381.8	398.3	416.2
Total value	493.4	504.1	515.6	527.9	541.0	555.2	570.5	587.0	604.9
NFP last reported	(127.8)	(127.8)	(127.8)	(127.8)	(127.8)	(127.8)	(127.8)	(127.8)	(127.8)
Pension provision last reported	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)
Equity value	356.6	367.4	378.8	391.1	404.3	418.4	433.7	450.2	468.1
Equity value/share €	21.17	21.80	22.48	23.21	24.00	24.83	25.74	26.72	27.78

Source: CFO SIM

Table 11 – Orsero, equity value sensitivity to changes in free risk rate

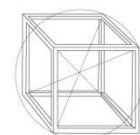
€ m	1.80%	2.30%	2.80%	3.30%	3.80%	4.30%	4.80%	5.30%	5.80%
Present value of CF	193.6	192.4	191.1	189.9	188.6	187.4	186.2	185.1	183.9
PV of terminal value	467.6	433.5	403.3	376.4	352.4	330.7	311.2	293.4	277.2
Total value	661.2	625.8	594.4	566.3	541.0	518.2	497.4	478.5	461.1
NFP last reported	(127.8)	(127.8)	(127.8)	(127.8)	(127.8)	(127.8)	(127.8)	(127.8)	(127.8)
Pension provision last reported	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)
Equity value	524.5	489.1	457.6	429.5	404.3	381.4	360.7	341.7	324.3
Equity value/share €	31.13	29.03	27.16	25.49	24.00	22.64	21.41	20.28	19.25

Source: CFO SIM

Table 12 – 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	191.9	191.1	190.3	189.4	188.6	187.8	187.1	186.3	185.5
PV of terminal value	422.2	402.7	384.7	368.0	352.4	337.9	324.3	311.5	299.6
Total value	614.1	593.8	575.0	557.4	541.0	525.7	511.3	497.8	485.1
NFP last reported	(127.8)	(127.8)	(127.8)	(127.8)	(127.8)	(127.8)	(127.8)	(127.8)	(127.8)
Pension provision last reported	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)	(9.0)
Equity value	477.3	457.0	438.2	420.7	404.3	388.9	374.6	361.0	348.3
Equity value/share €	28.33	27.13	26.01	24.97	24.00	23.08	22.23	21.43	20.67

Source: CFO SIM



Market multiples

We have included 6 peers in the sample, operating in global fresh fruit and vegetable production and distribution. Our sample comprises **Calavo Growers, Dole, Fresh Del Monte Produce, Greenyard, Mission Produce and Omer Decugis & Cie.**

Orsero trades at a double-digit discount vs. peers considering EV/EBITDA, PCF and PER multiples in 2024. 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 13 – Orsero, peer group summary table

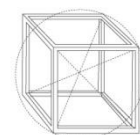
€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA % CAGR ₂₃₋₂₆	Sales CAGR ₂₃₋₂₆	EBITDA CAGR ₂₃₋₂₆	EBIT CAGR ₂₃₋₂₆	EPS CAGR ₂₄₋₂₆	NFP FY1	NFP /EBITDA
Calavo Growers Inc	466	586	38	6.5%	-11.9%	23.8%	66.2%	17.6%	n.a.	n.a.
Dole PLC	1,385	7,459	345	4.6%	3.1%	14.9%	16.7%	11.6%	641	1.9
Fresh Del Monte Produce Inc	1,247	4,070	202	5.0%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Greenyard NV	321	5,249	195	3.7%	3.5%	3.6%	11.9%	35.2%	396	2.0
Mission Produce Inc	844	999	76	7.6%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Omer Decugis & Cie SA	40	243	9	3.6%	8.9%	n.a.	n.a.	37.6%	6	0.7
Median	655	2,535	136	4.8%	3.3%	14.9%	16.7%	26.4%	396	1.9
Orsero SpA	214	1,530	80	5.2%	0.6%	-8.8%	-14.7%	2.1%	118	1.5

Sources: Refinitiv Eikon, CFO SIM

Table 14 – 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
Calavo Growers Inc	n.a.	n.a.	n.a.	21.2	16.6	15.3	14.4	12.9	13.0
Dole PLC	5.9	5.4	5.6	11.3	10.6	9.0	5.8	5.4	4.9
Fresh Del Monte Produce Inc	n.a.	n.a.	n.a.	15.7	11.8	n.a.	8.1	6.8	n.a.
Greenyard NV	3.7	2.2	3.1	10.8	7.9	5.9	2.3	2.2	2.0
Mission Produce Inc	n.a.	n.a.	n.a.	30.6	72.6	n.a.	11.6	15.0	n.a.
Omer Decugis & Cie SA	5.3	3.1	2.3	8.5	5.6	4.5	5.9	4.2	3.5
Median	5.3	3.1	3.1	13.5	11.2	7.5	7.0	6.1	4.2
Orsero SpA	4.2	4.0	3.8	7.6	7.3	7.3	3.4	3.3	3.3
% (Discount)/Premium to peer median	(22.0)	27.7	24.8	(43.8)	(34.6)	(2.7)	(51.8)	(46.3)	(21.7)

Sources: Refinitiv Eikon, CFO SIM



Stock performance

Glenalta Food was listed on Euronext Growth Milan on 10th 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 € 17.56/s on 1st February 24 and a 1Y minimum price of € 11.76 on 5th August 2024.

Table 15 - Orsero, peers' group and indexes absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
Calavo Growers Inc	(2.1)	20.3	17.2	15.1	0.6	(1.3)	1.0
Dole PLC	1.7	1.4	5.2	36.3	36.5	31.5	36.5
Fresh Del Monte Produce Inc	1.2	(1.2)	4.5	31.8	15.8	9.8	13.1
Greenyard NV	(1.0)	0.3	2.3	(2.8)	23.3	4.7	0.6
Mission Produce Inc	(0.5)	22.8	27.0	28.5	9.2	30.6	40.5
Omer Decugis & Cie SA	(0.4)	(2.5)	1.5	8.1	4.7	12.6	(3.3)
Peers Median	(0.5)	0.9	4.9	21.8	12.5	11.2	7.0
Orsero SpA	(4.6)	(5.0)	(6.2)	(1.6)	(16.1)	(28.5)	(13.2)
FTSE Italia STAR	1.2	1.5	(0.0)	(2.6)	(1.7)	(4.3)	4.4
Refinitiv Food & Beverage EU	0.0	0.6	2.2	2.2	1.2	(2.5)	(2.3)

Source: Refinitiv Eikon

Table 16 – Orsero, relative performances

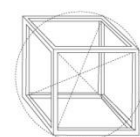
%	1D	1W	1M	3M	6M	YTD	1Y
Orsero SpA to peers	(4.1)	(5.9)	(11.1)	(23.4)	(28.6)	(39.7)	(20.2)
Orsero SpA to FTSE Italia STAR	(5.7)	(6.5)	(6.2)	1.0	(14.3)	(24.2)	(17.6)
Orsero SpA to EU Sector	(4.6)	(5.7)	(8.4)	(3.9)	(17.3)	(26.0)	(10.9)

Source: Refinitiv Eikon

Risks

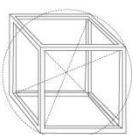
The principal investment **risks** associated with Orsero include:

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





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DATE	TARGET PRICE	RATING
16/09/2024	€24.00	BUY
08/05/2024	€24.00	BUY
15/03/2024	€24.00	BUY
07/02/2024	€25.00	BUY
17/11/2023	€25.00	BUY
18/09/2023	€22.50	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.

