

Italy - Food

Supportive short-medium term outlook

4th November 2022

MID SMALL CAP FORUM MADRID

RIC: ORSO.MI
BBG: ORS IM

Main takeaways from a one day in Madrid with the company during the CFO SIM Mid Small Cap Forum. More than a dozen of Spanish Institutional Investors specialised in small cap met Orsero in a welcoming venue in a warm, attentive and constructive atmosphere.

Rating:

Buy

Price Target:

€ 21.00

Upside/(Downside): 48.9%

Last Price: € 14.10

Market Cap.: € 249.3m

1Y High/Low: € 17.34 / € 9.48

Avg. Daily Turn. (3M, 6M): € 438k, € 403k

Free Float: 57.3%

Major shareholders:

FIF Holding 33.4%
Grupo Fernández 6.7%



Stock price performance

	1M	3M	12M
Absolute	-7.0%	-7.7%	46.9%
Rel.to FTSE IT STAR	-8.7%	4.8%	79.8%
Rel.to EU Sector	-6.3%	5.7%	68.9%

Analysts:

Luca Arena
+39 02 30343 395
luca.arena@cfosim.com

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

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

Mid Small Cap Forum, a full-day investor event in Madrid

Last 3-Nov CFO SIM organised as sole sponsor a one-day Mid Small Cap Forum in Madrid, bringing 4 Italian excellences, encountering 12 Spanish institutional investors specialised in small-/micro-cap, organising a total of more than 20 one-to-one meetings. Orsero was represented by Edoardo Dupanloup Head of Investor Relation and Business Development Manager. The period is characterised by a complex macroeconomic environment, a reference market that sees the consumption of fruit and vegetables in contraction in terms of volumes and significant increases in prices linked to inflationary phenomena. In this context, the recent robust operating performance prompted the company to improve FY-22 guidance: the short-medium term outlook remains encouraging.

A bolder presence in the French wholesale market and in the lucrative exotic niche

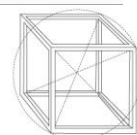
Last July Orsero announced two transformational acquisitions in France, Capexo and Blampin, which allow Orsero to 1) attain a bolder presence in the French wholesale market and 2) enlarge its penetration of the lucrative exotic fruit niche. Thanks to its direct presence in the main general wholesale markets, with its 12 sales platforms, the acquisition of Blampin allows Orsero to take a bolder position in a key sales channel currently not well covered (AZ France, Fruttica are more concentrated in the distribution to large-scale retailers), and brings further product diversification towards high-end/lucrative fruit segments. Capexo acquisition allows Orsero to expand its selling proposition, further strengthening its positioning and expertise in exotic fruits, a niche characterised by significantly above-average growth and prices and consequently a particularly lucrative market segment. Paid at an entry multiple of some 5.0-5.5x EBITDA₂₁, they are expected to bring in additional value: the expertise and know-how about the products and customer service of the two acquisitions, are anticipated to generate future commercial synergies in particular with the group's subsidiaries already present in France as well as in Europe.

Cost inflation reflected in selling prices and mixed freight rates

The Distribution segment is showing slightly declining volumes but significantly improving price and, to a lesser extent, mix effects. Orsero's strategy is aimed at reflecting 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 products (i.e. banana) vs. an increase in products with higher added value, namely avocado, mango, table grapes, kiwi. The Shipping segment is still benefitting from higher volumes, increasing freight rates in addition to the more favourable €/€ exchange rate, currency in which freight rates are typically denominated. Margins are anticipated to remain sustained 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 and 3) sustained freight rates regarding the return of the ships to South America. In 2023 dry freight rates are anticipated to cool down compared to the record levels recently reached, whilst referer quotations are seen to remain not particularly 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 FD	0.79	1.08	1.77	2.39	2.48
EPS adj. FD 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	1.4%	2.1%	3.2%	4.3%	4.6%
Free Cash Flow Yield	10.5%	8.7%	-25.9%	16.6%	19.5%
PER x	7.4	8.2	8.0	5.9	5.7
EV/Sales x	0.20	0.23	0.34	0.26	0.23
EV/EBITDA x	4.3	4.6	5.8	4.4	3.8
EV/EBIT x	9.3	9.5	11.2	7.3	6.3



The company in a nutshell

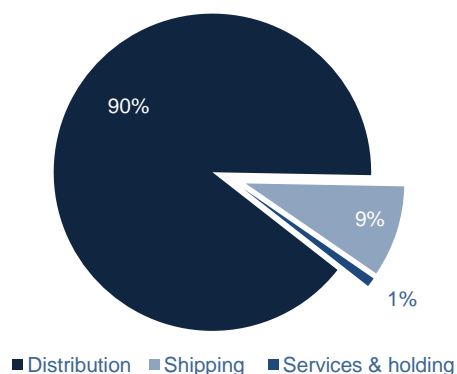
Orsero is an international group headquartered in Milan, operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution of fresh fruit and vegetables as well as the production and export of fruit together with chilled maritime transportation. Orsero boasts a presence mainly in Italy, France, Spain, Portugal, Greece, Costa Rica and Colombia.

During 2012, the group launched the "Flli Orsero" brand for bananas and pineapples, which expresses a large Italian family company's sense of tradition and passion for top-quality fruit and vegetables.

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

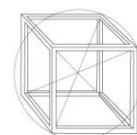
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Dole PLC	(0.4)	4.7	11.2	(5.0)	(28.5)	(35.9)
Fresh Del Monte Produce Inc	(1.6)	2.9	12.0	(7.5)	10.7	(3.4)
Greenyard NV	1.5	(0.1)	1.7	(27.3)	(10.9)	(33.1)
Peers Median	(0.4)	2.9	11.2	(7.5)	(10.9)	(33.1)
Orsero Spa	(0.7)	1.3	(7.0)	(7.7)	19.1	19.0
FTSE Italia STAR	(0.7)	(1.3)	1.7	(12.5)	(13.0)	(32.7)
EU Sector	(2.1)	(2.4)	(0.7)	(13.5)	(15.4)	(23.9)
Orsero Spa to peers	(0.4)	(1.6)	(18.2)	(0.2)	30.0	52.1
Orsero Spa to FTSE Italia STAR	(0.0)	2.6	(8.7)	4.8	32.1	51.7
Orsero Spa to EU Sector	1.4	3.7	(6.3)	5.7	34.5	42.8

Peer group multiples table

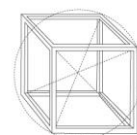
Price & EV multiples x	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Dole PLC	9.0	7.4	5.8	3.5	3.2	2.8	6.0	5.2	4.6
Fresh Del Monte Prod. Inc	21.9	14.3	n.a.	11.0	6.9	n.a.	n.a.	n.a.	n.a.
Greenyard NV	11.6	8.3	6.6	2.6	2.3	2.1	4.0	3.4	2.9
Median	11.6	8.3	6.2	3.5	3.2	2.4	5.0	4.3	3.7
Orsero Spa	8.0	5.9	5.7	3.8	3.3	3.2	5.8	4.4	3.8
% (Disc.)/Prem. to peer	-31.2%	-28.9%	-8.6%	9.7%	2.3%	31.5%	15.5%	1.8%	2.7%

Sources: CFO Sim, Thomson Reuters 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
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
03/02/2022	€20.00	BUY
12/11/2021	€13.50	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.

