

## Italy - Food

## Solid Q1 results despite the challenging global environment

17<sup>th</sup> May 2022

### Q1-22 RESULTS RELEASE

RIC: ORSO.MI  
BBG: ORS IM

Orsero reported brilliant Q1 results, characterised by soaring top line and a more than proportional progression in margins, driven by the outstanding performance of the Shipping BU. In a tough macroeconomic environment, Orsero demonstrated once again the resiliency of its business model. However, market conditions remain unpredictable. The scouting for a strategic M&A deal is still ongoing.

#### Rating:

**Buy**

#### Price Target:

**€ 20.00**

Upside/(Downside): **72.7%**

Last Price: **€ 11.58**

Market Cap.: **€ 204.8m**

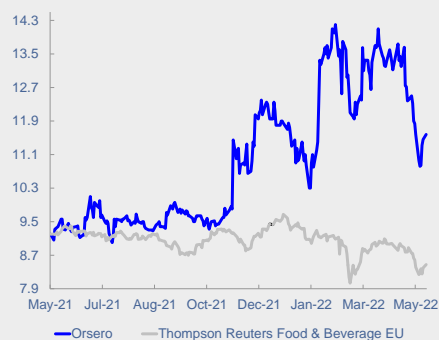
1Y High/Low: **€ 14.40 / € 8.50**

Avg. Daily Turn. (3M, 6M): **€ 342k, € 465k**

Free Float: **59.3%**

#### Major shareholders:

FIF Holding 32.5%  
Grupo Fernández 6.3%



#### Stock price performance

	1M	3M	12M
Absolute	-11.7%	-15.2%	26.7%
Rel.to FTSE IT STAR	-5.0%	-4.9%	29.5%
Rel.to EU Sector	-6.5%	-8.9%	33.1%

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#### Estimates, rating and PT unchanged

Orsero reported growing top line and a more than proportional progression in margins, notwithstanding an uncertain macroeconomic environment characterised by unprecedented inflationary pressure and geopolitical instability worsened by the conflict in Ukraine. The good set of results was driven by the group's resilient and vertically-integrated business model, which was able to promptly react to market-disruptive events with price increases and to leverage the current favourable market dynamics, particularly thanks to the increasingly strategic proprietary fleet. Although market conditions remain unpredictable, the company confirmed its 2022 guidance. We kept our estimates unchanged: our FY-22 projections are positioned at the high-end of the company guidance. Rating and PT are confirmed.

#### Top line up by 9.9% YoY. Distribution rose by 7.7%, Shipping soared by 26.2%

Sales rose by 9.9% YoY to € 264.0m, driven by remarkable growth in both the business units. The Distribution BU reached € 242.5m, up by 7.7% YoY, mainly due to soaring sales prices despite a slight decline in volumes (mainly due to avocados, citrus and stone fruit). The Shipping division soared by 26.2% YoY to € 30.3m, taking advantage of the current freight rates uptrend coupled with a weaker €/€ exchange rate. The Services BU totalled € 2.8m

#### Adj. EBITDA reached € 17.7m vs € 13.8m in Q1-21, driven by the Shipping BU

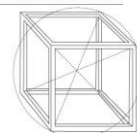
Adj. EBITDA rose by 28.1% to € 17.7m, 6.7% margin (+95 bps YoY). The Distribution's adj. EBITDA was € 8.0m (3.3% margin), declining € 1.7m from € 9.7m (4.3% margin) reported in Q1-21. In terms of countries, Spain and Greece were substantially unchanged while France, Italy and Portugal underperformed the extraordinary Q1-21. In terms of products, kiwis and pineapples recorded a good performance, which was offset by lower margins on avocados (compared to an outstanding Q1-21) and bananas. The Distribution division was also negatively affected by soaring energy costs as well as higher freight rates. The Shipping BU's adj. EBITDA jumped to € 11.5m (38.0% margin), compared to € 5.7m (23.8% margin) reported in Q1-21, thanks to the current favourable market framework with regard to freight rates on reefer activity coupled with the positive contribution of dry containers carried on the way back from the EU to Central South America. Adj. EBITDA of the Service BU was negative for € 1.9m, compared to negative € 1.6m in Q1-21, due to higher personnel and marketing costs.

#### The significant cash flow generation prompted a decline in NFP

Adj. EBIT reached € 10.6m, 4.0% margin (vs € 7.3m, 3.0% margin in Q1-21), up by 13.8% YoY, mainly in the wake of higher adj. EBITDA. Adj. Net Profit jumped to € 8.9m (vs € 5.1m in Q1-21), mainly as a result of the higher operating margin and a lighter tax rate, stemming from the adoption of the 'Tonnage Tax' scheme to the Shipping BU. NFP decreased to € 73.8m (€ 84.3m at end-21), thanks to an operating cash flow of € 12.2m partially offset by 1) capex for € 3.7m, 2) greater IFRS16-related right of use for € 1.0m and, 3) treasury shares purchase for € 0.3m. NFP excluding the IFRS16 effect was € 36.7m (€ 45.3m at end-21).

#### Orsero, key financials and ratios

€ m	2020	2021	2022e	2023e	2024e
Sales	1,041.5	1,069.8	1,126.7	1,154.1	1,182.2
EBITDA adj.	48.4	52.9	65.1	66.5	68.0
EBIT adj.	22.4	25.5	39.2	40.7	41.7
Net profit	12.2	18.3	31.4	32.6	33.5
Net profit adj.	14.0	19.1	32.9	34.1	35.1
NFP (cash)/debt	103.5	84.3	66.4	37.8	9.4
EPS adjusted FD	0.79	1.08	1.86	1.93	1.98
EPS adj. FD growth	164.2%	36.4%	72.3%	3.7%	2.8%
DPS ord. €/s	0.20	0.30	0.45	0.45	0.50
Dividend yield	1.7%	2.6%	3.9%	3.9%	4.3%
Free Cash Flow Yield	12.8%	10.6%	11.2%	17.8%	17.6%
PER x	7.4	8.2	6.2	6.0	5.8
EV/Sales x	0.20	0.23	0.24	0.21	0.18
EV/EBITDA x	4.3	4.6	4.2	3.6	3.1
EV/EBIT x	9.3	9.5	6.9	6.0	5.1





## The company in a nutshell

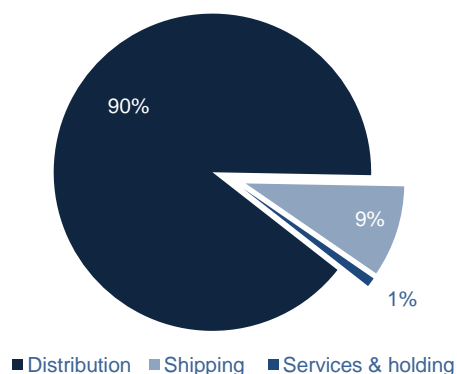
Orsero is an international group headquartered in Milan, operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution of fresh fruit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

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

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

Orsero was listed on Euronext Growth Milan on 13-Feb-17 as a result of the merger between Glenalta Food and Orsero. The merger was the final step in the business combination between Glenalta Food and GF Group, as regulated by the agreement signed and announced on 28th October 2016. Orsero has been trading on the Euronext Star Milan segment of Borsa Italiana since 23-Dec-19.

## 2021 Gross Turnover...



## ...and EBITDA by business



## Shareholder structure

	%	# m
FIF Holding	32.5%	5.75
Grupo Fernandez	6.3%	1.12
Treasury Shares	1.9%	0.33
<b>Free Float</b>	<b>59.3%</b>	<b>10.49</b>
o/w Praude Asset Management	9.5%	1.69
Global Portfolio Investments	5.7%	1.01
First Capital	5.5%	0.98
<b>Total</b>	<b>100.0%</b>	<b>17.68</b>

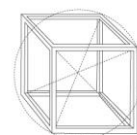
## Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Dole PLC	(0.1)	(1.7)	(9.9)	(20.9)	(20.8)	(15.2)
Fresh Del Monte Produce Inc	0.9	2.0	(6.4)	(9.6)	(13.8)	(9.3)
Greenyard NV	0.0	2.4	3.4	(15.5)	(15.4)	(23.0)
<b>Peers Median</b>	<b>0.0</b>	<b>2.0</b>	<b>(6.4)</b>	<b>(15.5)</b>	<b>(15.4)</b>	<b>(15.2)</b>
<b>Orsero Spa</b>	<b>1.0</b>	<b>5.7</b>	<b>(11.7)</b>	<b>(15.2)</b>	<b>5.3</b>	<b>(2.3)</b>
FTSE Italia STAR	0.4	5.6	(6.8)	(10.2)	(23.9)	(23.4)
EU Sector	1.0	2.9	(5.3)	(6.2)	(8.7)	(11.1)
Orsero Spa to peers	1.0	3.7	(5.3)	0.3	20.7	13.0
Orsero Spa to FTSE Italia STAR	0.6	0.1	(5.0)	(4.9)	29.2	21.2
Orsero Spa to EU Sector	0.1	2.8	(6.5)	(8.9)	13.9	8.9

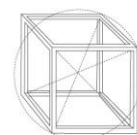
## Peer group multiples table

Price & EV multiples x	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Dole PLC	8.8	7.2	6.5	4.1	3.6	3.5	6.2	5.4	5.1
Fresh Del Monte Prod. Inc	19.2	12.6	n.a.	n.a.	6.3	n.a.	n.a.	n.a.	n.a.
Greenyard NV	16.8	12.2	9.3	3.4	3.1	2.8	4.9	4.4	3.9
<b>Median</b>	<b>16.8</b>	<b>12.2</b>	<b>7.9</b>	<b>3.7</b>	<b>3.6</b>	<b>3.1</b>	<b>5.5</b>	<b>4.9</b>	<b>4.5</b>
<b>Orsero Spa</b>	<b>6.2</b>	<b>6.0</b>	<b>5.8</b>	<b>3.5</b>	<b>3.4</b>	<b>3.3</b>	<b>4.2</b>	<b>3.6</b>	<b>3.1</b>
% (Disc.)/Prem. to peer	-63.1%	-50.7%	-25.9%	-6.4%	-5.7%	6.9%	-24.4%	-25.6%	-30.3%

Sources: CFO Sim, Thomson Reuters Eikon



Income statement (€ m)	2020	2021	2022e	2023e	2024e
Revenues	1,041.5	1,069.8	1,126.7	1,154.1	1,182.2
COGS	(953.7)	(975.6)	(1,014.8)	(1,039.9)	(1,066.1)
Gross Profit	87.8	94.2	111.9	114.2	116.1
SG&A	(69.0)	(71.1)	(74.5)	(75.3)	(76.1)
EBIT	18.8	23.1	37.5	38.9	40.0
Financials	(2.9)	(3.3)	(2.8)	(2.8)	(2.8)
Results from investments	0.8	1.0	1.5	1.6	1.6
Pre Tax Profit	16.7	20.8	36.2	37.7	38.8
Taxes	(4.4)	(2.3)	(4.6)	(4.9)	(5.0)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.1)	(0.2)	(0.2)	(0.2)	(0.2)
Net Profit	12.2	18.3	31.4	32.6	33.5
D&A and Provisions	(26.0)	(27.4)	(25.8)	(25.9)	(26.3)
Non recurring items	(3.7)	(2.4)	(1.8)	(1.8)	(1.8)
EBITDA adj.	48.4	52.9	65.1	66.5	68.0
EBIT adj.	22.4	25.5	39.2	40.7	41.7
Net Profit adj.	14.0	19.1	32.9	34.1	35.1
Balance sheet (€ m)	2020	2021	2022e	2023e	2024e
Net Working Capital	37.9	30.2	39.1	45.9	50.4
Net Fixed Assets	222.3	221.7	220.5	209.2	201.5
Equity Investments	6.2	14.8	15.0	15.3	15.7
Other M/L Term A/L	(2.7)	(6.4)	(6.2)	(5.9)	(5.6)
Net Invested Capital	263.7	260.2	268.4	264.5	261.9
Net Financial Debt/(cash)	103.5	84.3	66.4	37.8	9.4
Minorities	0.5	0.7	0.9	1.1	1.4
Group's Shareholders Equity	159.6	175.2	201.1	225.6	251.1
Financial Liabilities & Equity	263.7	260.2	268.4	264.5	261.9
Cash Flow statement (€ m)	2020	2021	2022e	2023e	2024e
Total net income	12.2	18.3	31.4	32.6	33.5
Depreciation	24.2	25.0	23.9	24.0	24.4
Other non-cash charges	8.2	4.1	(0.3)	(0.4)	(0.3)
Cash Flow from Oper. (CFO)	44.6	47.3	55.0	56.2	57.6
Change in NWC	(7.3)	7.7	(9.0)	(6.8)	(4.5)
FCF from Operations (FCFO)	37.2	55.1	46.0	49.4	53.1
Net Investments (CFI)	(11.0)	(33.4)	(23.0)	(13.0)	(17.0)
Free CF to the Firm (FCFF)	26.2	21.7	23.0	36.4	36.1
CF from financials (CFF)	(42.3)	(7.2)	(5.2)	(7.8)	(7.8)
Free Cash Flow to Equity (FCFE)	(16.1)	14.6	17.8	28.6	28.3
Financial ratios	2020	2021	2022e	2023e	2024e
EBITDA adj. margin	4.6%	4.9%	5.8%	5.8%	5.8%
EBIT margin	1.8%	2.2%	3.3%	3.4%	3.4%
Net profit margin	1.2%	1.7%	2.8%	2.8%	2.8%
Tax rate	26.4%	11.2%	12.8%	13.0%	13.0%
Op NWC/Sales	3.6%	2.8%	3.5%	4.0%	4.3%
Interest coverage x	0.15	0.14	0.07	0.07	0.07
Net Debt/EBITDA adj. x	2.14	1.59	1.02	0.57	0.14
Debt-to-Equity x	0.65	0.48	0.33	0.17	0.04
ROIC	4.6%	7.0%	11.7%	12.3%	12.8%
ROCE	6.9%	7.6%	10.8%	10.5%	10.1%
ROACE	6.6%	7.7%	11.2%	10.9%	10.4%
ROE	7.7%	10.4%	15.6%	14.4%	13.3%
Payout ratio	28.4%	28.5%	24.9%	24.0%	25.9%
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	1.77	1.84	1.90
EPS adjusted FD €	0.79	1.08	1.86	1.93	1.98
EBITDA €	2.74	2.99	3.68	3.76	3.85
EBIT €	1.06	1.31	2.12	2.20	2.26
FCFO €	2.10	3.12	2.60	2.80	3.00
FCFF €	1.48	1.23	1.30	2.06	2.04
FCFE €	(0.91)	0.82	1.01	1.62	1.60
Dividend €	0.20	0.30	0.45	0.45	0.50



## ANALYST CERTIFICATION

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DATE	TARGET PRICE	RATING
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
15/09/2021	€13.50	BUY
15/05/2021	€12.80	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.

