

Italy - Food

Strong Q1-23 results, driven by M&A and market share gains

16th May 2023

Q1-23 RESULTS RELEASE

RIC: ORSO.MI
BBG: ORS IM

Orsero reported strong Q1-23 results, slightly better than company expectations, driven by the consolidation of Capexo and Blampin and a solid organic growth of the Distribution business. The Shipping segment continued to show outstanding returns. In a tough macroeconomic environment, Orsero demonstrated once again the resiliency of its business model. FY-23 guidance confirmed.

Rating:

Buy

Price Target:

€ 19.00

Upside/(Downside): 58.1%

Last Price: € 12.02

Market Cap.: € 212.5m

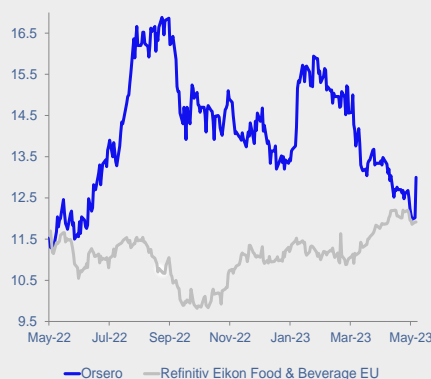
1Y High/Low: € 17.34 / € 11.14

Avg. Daily Turn. (3M, 6M): € 287k, € 297k

Free Float: 57.3%

Major shareholders:

FIF Holding 33.4%
Grupo Fernández 6.7%



Stock price performance

	1M	3M	12M
Absolute	-9.8%	-22.3%	4.9%
Rel. to FTSE IT STAR	-8.0%	-16.9%	7.4%
Rel. to EU Sector	-10.1%	-28.6%	1.0%

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Estimates, rating and PT unchanged

Q1-23 was characterised by a still complex macroeconomic context, a reference market that saw a decline in the consumption of fruit and vegetables and an increase in prices linked to inflationary phenomena. This 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 rather volatile, the company confirmed its 2023 guidance. We kept our estimates unchanged: this solid set of numbers lends weight to FY-23 numbers. Rating and PT confirmed.

Top line up by 31.6% YoY, Distribution rose by 33.2%, Shipping increased by 13.9%

Q1-23 revenues rose to € 347.3m, up 31.6% YoY, driven by the consolidation of Capexo and Blampin, an organic progression of the Distribution business unit and still good sales momentum of the Shipping segment. Organically sales grew by 8.6%. The Distribution segment reached € 323.1m, +33.2% YoY, up 8.2% organic. Sales are up across all countries due to positive volumes (primarily on platano canario, exotics and citrus) and price effects across the whole product range. The M&As contributed for € 60.6m. The Shipping segment increased to € 34.5m, up 13.9% YoY, due to the sustained volumes of fruit transported, the high profitability of dry container traffic on the west-bound route from the Mediterranean to Central American countries and the favourable evolution of the US dollar exchange rate, the currency in which maritime freight rates are denominated. The Services BU totalled € 2.8m.

Adj. EBITDA reached € 26.2m vs € 17.7m in Q1-22, also driven by the M&As

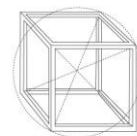
Q1-23 adj. EBITDA rose by 48.4% YoY, from € 17.7m to € 26.2m, recording an outstanding margin equal to 7.6%, up 90 bps YoY. The Distribution's adj. EBITDA totalled € 15.6m, up from the € 8.0m figure recorded in Q1-22, thanks to the highly profitable M&As and a more favourable product/channel mix and the operating efficiency reached coupled with a € 0.5m decline in energy costs. Consequently, adj. EBITDA margin came in at 4.8%, higher than the 3.3% recorded last year. The Shipping BU's adj. EBITDA totalled € 12.9m, still growing compared to € 11.5m recorded in Q1-22, with a sustained margin of 37.4% vs. 38.0%.

Group's significant cash flow generation allowed for sizeable M&As

Adj. EBIT reached € 18.2m, 5.2% margin (vs € 10.6m, 4.0% recorded in Q1-22), up 71.7% YoY, mainly in the wake of higher adj. EBITDA. Adj. Net Profit jumped from € 8.9m of Q1-22 to € 13.4m because of higher margins, despite the higher tax rate, following the increasing portion of profits stemming from the Distribution division. NFP totalled € 156.7m from € 64.7m in Dec-22: the € 89.3m worsening is mainly ascribable to the M&As, despite a remarkable operating cash flow of € 14.6m driven by the general contribution of operating activities, only partially absorbed by 1) capex of € 2.9m and 2) greater right of use IFRS 16 of € 1.5m.

Orsero, key financials and ratios

€ m	2021	2022	2023e	2024e	2025e
Sales	1,069.8	1,196.3	1,477.2	1,498.4	1,521.6
EBITDA adj.	52.9	76.1	84.1	76.4	73.3
EBIT adj.	25.5	45.7	47.4	40.1	37.4
Net profit	18.3	32.3	35.2	27.6	24.8
Net profit adj	19.1	36.9	37.9	30.2	27.3
NFP (cash)/debt	84.3	67.4	142.2	114.8	90.4
EPS adjusted FD	1.08	2.09	2.14	1.71	1.54
EPS adj. FD growth	36.4%	93.2%	2.7%	-20.3%	-9.6%
DPS ord. €/s	0.30	0.35	0.40	0.40	0.40
Dividend yield	2.5%	2.9%	3.3%	3.3%	3.3%
Free Cash Flow Yield	10.2%	11.2%	-32.5%	16.1%	14.7%
PER x	8.2	6.5	5.6	7.0	7.8
EV/Sales x	0.23	0.26	0.24	0.22	0.20
EV/EBITDA x	4.6	4.0	4.2	4.3	4.1
EV/EBIT x	9.5	6.7	7.5	8.2	8.1





The company in a nutshell

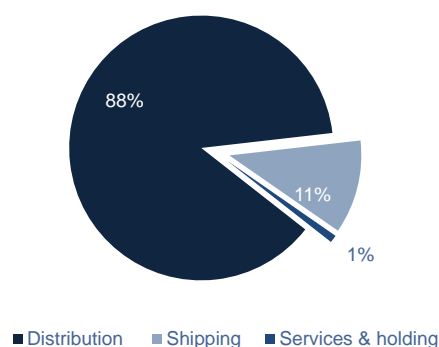
Orsero is an international group headquartered in Milan, operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution of fresh fruit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

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



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	9.9%	1.75
Global Portfolio Investments	5.7%	1.01
First Capital	5.5%	0.98
Total	100.0%	17.68

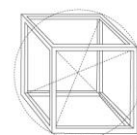
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Dole PLC	1.2	(1.0)	(1.3)	7.5	34.7	24.8
Fresh Del Monte Produce Inc	(1.1)	(2.8)	(10.2)	(6.7)	(4.4)	1.9
Greenyard NV	0.9	(1.5)	6.4	0.3	(15.1)	(3.0)
Peers Median	0.9	(1.5)	(1.3)	0.3	(4.4)	1.9
Orsero Spa	0.3	(5.2)	(9.8)	(22.3)	(18.9)	(9.8)
FTSE Italia STAR	(0.1)	(1.4)	(1.7)	(5.4)	(0.7)	3.7
EU Sector	0.5	(2.3)	0.4	6.4	10.7	8.6
Orsero Spa to peers	(0.6)	(3.7)	(8.4)	(22.6)	(14.5)	(11.7)
Orsero Spa to FTSE Italia STAR	0.4	(3.8)	(8.0)	(16.9)	(18.2)	(13.5)
Orsero Spa to EU Sector	(0.1)	(2.9)	(10.1)	(28.6)	(29.6)	(18.3)

Peer group multiples table

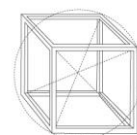
Price & EV multiples x	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Dole PLC	14.1	10.9	8.9	4.9	4.5	3.9	6.1	5.5	6.0
Fresh Del Monte Prod. Inc	13.2	11.8	n.a.	6.9	6.5	n.a.	n.a.	n.a.	n.a.
Greenyard NV	17.4	11.5	9.3	2.8	2.5	2.3	4.6	4.1	3.6
Median	14.1	11.5	9.1	4.9	4.5	3.1	5.4	4.8	4.8
Orsero Spa	5.6	7.0	7.8	2.8	3.2	3.4	4.2	4.3	4.1
% (Disc.)/Prem. to peer	-60.2%	-38.9%	-14.5%	-42.2%	-29.8%	8.7%	-21.3%	-10.8%	-13.6%

Sources: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2021	2022	2023e	2024e	2025e
Revenues	1,069.8	1,196.3	1,477.2	1,498.4	1,521.6
COGS	(975.6)	(1,077.4)	(1,336.4)	(1,364.5)	(1,389.9)
Gross Profit	94.2	118.8	140.8	133.9	131.8
SG&A	(71.1)	(78.9)	(96.4)	(96.8)	(97.3)
EBIT	23.1	39.9	44.4	37.1	34.4
Financials	(3.3)	(5.9)	(6.3)	(6.6)	(6.6)
Results from investments	1.0	2.0	2.3	2.3	2.3
Pre Tax Profit	20.8	36.1	40.3	32.8	30.1
Taxes	(2.3)	(3.7)	(4.8)	(4.9)	(5.1)
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	35.2	27.6	24.8
D&A and Provisions	(27.4)	(30.4)	(36.8)	(36.3)	(35.9)
Non recurring items	(2.4)	(5.8)	(3.0)	(3.0)	(3.0)
EBITDA adj.	52.9	76.1	84.1	76.4	73.3
EBIT adj.	25.5	45.7	47.4	40.1	37.4
Net Profit adj.	19.1	36.9	37.9	30.2	27.3
Balance sheet (€ m)	2021	2022	2023e	2024e	2025e
Net Working Capital	30.2	31.7	41.1	40.6	40.7
Net Fixed Assets	221.7	222.2	317.0	302.1	287.6
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	372.8	366.1	359.6
Net Financial Debt/(cash)	84.3	67.4	142.2	114.8	90.4
Minorities	0.7	0.4	0.6	0.9	1.1
Group's Shareholders Equity	175.2	201.1	230.0	250.5	268.1
Financial Liabilities & Equity	260.2	268.9	372.8	366.1	359.6
Cash Flow statement (€ m)	2021	2022	2023e	2024e	2025e
Total net income	18.3	32.3	35.2	27.6	24.8
Depreciation	25.0	28.1	34.0	33.5	33.1
Other non-cash charges	4.1	(4.0)	0.2	(8.3)	(7.4)
Cash Flow from Oper. (CFO)	47.3	56.4	69.4	52.8	50.4
Change in NWC	7.7	(1.5)	(9.4)	0.5	(0.1)
FCF from Operations (FCFO)	55.1	54.9	60.0	53.2	50.2
Net Investments (CFI)	(33.4)	(31.1)	(129.1)	(19.0)	(19.0)
Free CF to the Firm (FCFF)	21.7	23.8	(69.1)	34.2	31.2
CF from financials (CFF)	(7.2)	(10.0)	14.6	1.0	(6.9)
Free Cash Flow to Equity (FCFE)	14.6	13.8	(54.5)	35.3	24.4
Financial ratios	2021	2022	2023e	2024e	2025e
EBITDA adj. margin	4.9%	6.4%	5.7%	5.1%	4.8%
EBIT margin	2.2%	3.3%	3.0%	2.5%	2.3%
Net profit margin	1.7%	2.7%	2.4%	1.8%	1.6%
Tax rate	11.2%	10.2%	12.0%	15.0%	17.0%
Op NWC/Sales	2.8%	2.6%	2.8%	2.7%	2.7%
Interest coverage x	0.14	0.15	0.14	0.18	0.19
Net Debt/EBITDA adj. x	1.59	0.89	1.69	1.50	1.23
Debt-to-Equity x	0.48	0.34	0.62	0.46	0.34
ROIC	7.0%	12.0%	9.4%	7.5%	6.9%
ROCE	7.6%	12.8%	11.6%	9.1%	8.2%
ROACE	7.7%	13.2%	12.3%	9.5%	8.4%
ROE	10.4%	16.0%	15.3%	11.0%	9.2%
Payout ratio	28.2%	18.8%	19.5%	24.9%	27.8%
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	1.99	1.56	1.40
EPS adjusted FD €	1.08	2.09	2.14	1.71	1.54
EBITDA €	2.99	4.30	4.76	4.32	4.15
EBIT €	1.31	2.26	2.51	2.10	1.95
FCFO €	3.12	3.10	3.39	3.01	2.84
FCFF €	1.23	1.35	(3.91)	1.94	1.77
FCFE €	0.82	0.78	(3.08)	1.99	1.38
Dividend €	0.30	0.35	0.40	0.40	0.40



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DATE	TARGET PRICE	RATING
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
01/08/2022	€21.40	BUY
17/05/2022	€20.00	BUY

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- a **SELL** rating is assigned if the target price is at least 15% lower than the market price;
- a **NEUTRAL** rating is assigned if the difference between the current price and target price lies within the +/- 15% range identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return over a 12-month period** and not on the basis of the estimated outperformance or underperformance relative to a market index. Thus, the rating can be directly linked to the estimated percentage difference between current and target prices. The prices of the financial securities mentioned in the report (also used for the calculation of market capitalisation and market multiples) are the reference prices of the stock market trading day preceding the publication date of the report, otherwise stated.

