

Italy - Food

Record results prompted another upgrade in estimates

17th November 2023

Q3/9M-23 RESULTS RELEASE

RIC: ORSO.MI
BBG: ORS IM

Orsero posted another impressive set of results both in terms of the top line and profitability. The Distribution BU strongly benefitted from a more lucrative product mix and the synergistic integration of the French companies. In addition, the Shipping activity keeps recording satisfactory results, notwithstanding the consistent normalisation of the 'dry-cargo' market. FY guidance revised upwards once again.

Rating:

Buy

Price Target:

€ 25.00 (€ 22.50)

Upside/(Downside): 48.3%

Last Price: € 16.86

Market Cap.: € 298.0m

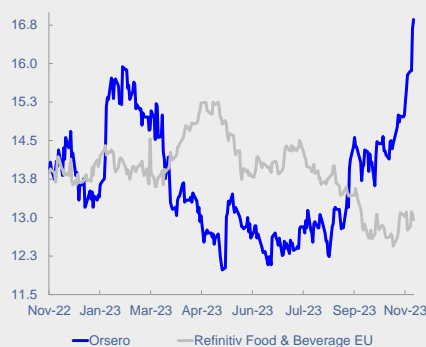
1Y High/Low: € 17.26 / € 11.80

Avg. Daily Turn. (3M, 6M): € 825k, € 528k

Free Float: 55.7%

Major shareholders:

FIF Holding 33.4%
Grupo Fernández 6.7%



Stock price performance

%	1M	3M	12M
Absolute	17.9%	29.7%	18.1%
Rel.to FTSE IT STAR	11.4%	32.6%	25.6%
Rel.to EU Sector	15.7%	34.7%	21.8%

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Estimates upgraded: new DCF-based PT at € 25.00 (€ 22.50). Buy reiterated

Orsero reported impressive Q3/9M-23 results driven by the excellent performance of the Distribution BU, which posted record margins in the wake of solid organic growth coupled with a strong contribution of the acquired French companies. We have upgraded our estimates by aligning our FY-23 figures with the high-end of the company's revised guidance with respect to both the top line and EBITDA, while also raising financial expenses due to the current interest rate environment. Moreover, we have fine-tuned our estimates for the Shipping activity, in order to better factor in the consistent normalisation of both volumes and average freight rates of the dry-cargo market in 2024-25. The combined result in 2023-25 foresees an average increase of 3.2%, 5.1% and 7.5% in Net Revenues, adj. EBITDA, and adj. Net Profit, respectively. Our new DCF-based PT stands at € 25.00 (€ 22.50), 48.3% upside. Buy confirmed.

Organic growth close to double-digit thanks to the brilliant result of the Distribution BU

Net Revenues reached 1,162.7m, up 30% YoY, on the back of the strong performance of the Distribution BU, both organically and via M&A, along with still decent results of the Shipping BU. In particular, the Distribution BU totalled € 1,097.2m, up by 34.3% YoY, as a result of 1) higher value of product mix, also driven by the price increases across all product categories, 2) higher volumes on selected items as well as, 3) a strong contribution of the French companies. Organically, the division exhibited a remarkable 9.7% YoY growth. The Shipping BU reached € 98.4m, down 7.2% compared to 9M-22, due to a lower loading factor with respect to reefer volumes and the ongoing normalisation trend of the 'dry-cargo' market. In addition, Q3-23 results were affected by the declining bunker price reflecting on the reefer revenues.

Record margins for the Distribution BU due to a better product mix and lower costs

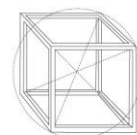
Adjusted EBITDA soared by 53% YoY to € 89.4m, 7.7% margin, compared to € 58.4m, 6.5% margin posted in 9M-22. On a like-for-like basis, adjusted EBITDA increased by 25.3% YoY. The Distribution BU's EBITDA amounted to € 62.7m, with a record margin of 5.7%, more than doubled compared to € 26.1m, 3.2% margin, posted in 9M-22. It came as a consequence of 1) the contribution of the recent acquisitions, 2) a better product mix, 3) higher banana prices benefiting from a more balanced supply/demand environment, and 4) a significant reduction in energy costs. The Shipping BU's EBITDA came in at € 33.0m, 33.5% margin, down by 13.2% compared to € 38.0m, 35.8% margin in 9M-22, mainly due to the abovementioned reasons.

Sound CF generation is quickly repaying the French acquisitions. Guidance upgraded

Adjusted Net Profit totalled € 49.9m, 4.3% margin (vs € 31.4m, 3.5% margin in 9M-22), as a result of the strong operating performance despite rising interest expenses. Net Financial Position stood at € 127.3m, reflecting 1) the cash outlay for the French acquisitions 2) a NWC absorption of € 11.2m, 3) CapEx of € 10.7m, 4) dividend payment of € 6.0m, and 5) buyback of € 1.1m. The updated guidance entails: Net Revenues € 1,500-1,550m (+ € 30m); adj. EBITDA € 105-110m (+ € 13m); adj. Net Profit € 52-55m (+ € 8/7m); NFP € 122-127m (- € 10/11m); Capex € 14-16m (unchanged).

Orsero, key financials and ratios

€ m	2021	2022	2023e	2024e	2025e
Net Revenues	1,069.8	1,196.3	1,544.0	1,547.8	1,564.3
Adjusted EBITDA	52.9	76.1	110.0	86.1	85.7
Adjusted EBIT	25.5	45.7	75.1	49.6	46.8
Net Profit	18.3	32.3	52.7	35.2	33.4
Adjusted Net Profit	19.1	36.9	56.3	36.5	34.7
Y/E net debt (net cash)	84.3	67.4	126.4	108.9	89.0
EPS adjusted FD	1.08	2.09	3.18	2.06	1.96
EPS adj. FD growth	36.4%	93.2%	52.5%	-35.1%	-5.0%
DPS ord. €/s	0.30	0.35	0.40	0.40	0.40
Dividend yield	1.8%	2.1%	2.4%	2.4%	2.4%
Free Cash Flow Yield	7.3%	8.0%	-12.6%	13.5%	14.3%
PER x	8.2	6.5	5.3	8.2	8.6
EV/Sales x	0.23	0.26	0.27	0.26	0.25
EV/EBITDA x	4.6	4.0	3.9	4.7	4.5
EV/EBIT x	9.5	6.7	5.6	8.2	8.3



The company at a glance

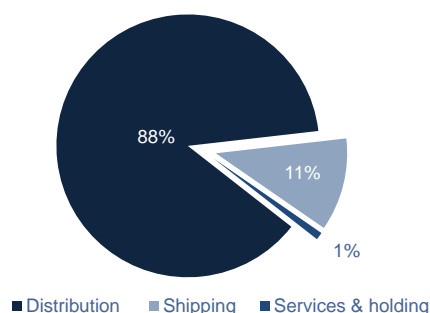
Orsero is an international group headquartered in Milan, operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution of fresh fruit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

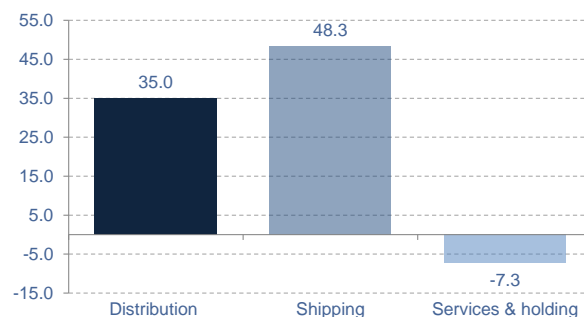
2022 Orsero highlights: revenues of € 1.196m, adj. EBITDA of € 76.1m (6.4% margin), adjusted net profit equal to € 36.9m and net financial position of € 67.4m (0.9x adj. EBITDA).

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	4.3%	0.75
Free Float	55.7%	9.85
o/w Praude Asset Management	9.7%	1.71
Global Portfolio Investments	5.5%	0.97
First Capital	5.6%	1.00
Total	100.0%	17.68

Sources: company data

Peer group absolute performance

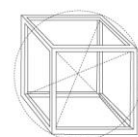
	1D	1W	1M	3M	6M	YTD
Dole PLC	(7.4)	(4.0)	3.5	(17.6)	(14.3)	14.7
Fresh Del Monte Produce Inc	(2.7)	(1.0)	(7.6)	(12.2)	(11.8)	(10.4)
Greenyard NV	1.7	7.3	7.8	(10.1)	(6.5)	(9.7)
Peers Median	(2.7)	(1.0)	3.5	(12.2)	(11.8)	(9.7)
Orsero SpA	1.1	8.9	17.9	29.7	26.6	26.6
FTSE Italia STAR	(0.9)	0.1	6.5	(2.9)	(9.2)	(6.7)
EU Sector	(0.9)	(1.2)	2.2	(5.0)	(10.6)	(5.5)
Orsero SpA to peers	3.7	9.9	14.4	41.9	38.3	36.3
Orsero SpA to FTSE Italia STAR	2.0	8.8	11.4	32.6	35.8	33.3
Orsero SpA to EU Sector	1.9	10.1	15.7	34.7	37.2	32.1

Sources: Refinitiv Eikon

Peer group multiples table

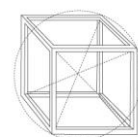
Price & EV multiples x	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Dole PLC	11.6	9.5	8.4	4.8	4.5	4.0	5.6	5.0	4.8
Fresh Del Monte Prod. Inc	10.3	9.9	n.a.	5.9	5.5	n.a.	n.a.	n.a.	n.a.
Greenyard NV	10.7	8.8	7.2	2.3	2.1	2.0	3.9	3.5	3.2
Median	10.7	9.5	7.8	4.8	4.5	3.0	4.7	4.2	4.0
Orsero SpA	5.3	8.2	8.6	3.3	4.1	4.1	3.9	4.7	4.5
% (Disc.)/Prem. to peer	-50.3%	-14.4%	10.4%	-31.3%	-8.9%	35.6%	-18.4%	11.3%	12.5%

Sources: CFO SIM, Refinitiv Eikon





Income statement (€ m)	2021	2022	2023e	2024e	2025e
Net Revenues	1,069.8	1,196.3	1,544.0	1,547.8	1,564.3
COGS	(975.6)	(1,077.4)	(1,373.6)	(1,400.1)	(1,418.3)
Gross Profit	94.2	118.8	170.4	147.7	146.0
SG&A	(71.1)	(78.9)	(99.3)	(99.6)	(100.6)
EBIT	23.1	39.9	71.0	48.1	45.3
Financials	(3.3)	(5.9)	(11.1)	(7.5)	(6.6)
Results from investments	1.0	2.0	2.3	2.3	2.3
Pre Tax Profit	20.8	36.1	62.3	43.0	41.1
Taxes	(2.3)	(3.7)	(9.3)	(7.5)	(7.4)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.2)	(0.2)	(0.3)	(0.3)	(0.3)
Net Profit	18.3	32.3	52.7	35.2	33.4
D&A and Provisions	(27.4)	(30.4)	(34.9)	(36.5)	(38.9)
Non recurring items	(2.4)	(5.8)	(4.1)	(1.5)	(1.5)
Adjusted EBITDA.	52.9	76.1	110.0	86.1	85.7
Adjusted EBIT	25.5	45.7	75.1	49.6	46.8
Adjusted Net Profit	19.1	36.9	56.3	36.5	34.7
Balance sheet (€ m)	2021	2022	2023e	2024e	2025e
Net Working Capital	30.2	31.7	38.1	39.2	39.5
Net Fixed Assets	221.7	222.2	322.1	323.1	321.7
Equity Investments	14.8	19.4	19.8	20.2	20.6
Other M/L Term A/L	(6.4)	(4.4)	(5.4)	3.0	10.4
Net Invested Capital	260.2	268.9	374.5	385.4	392.2
Net Financial Debt/(cash)	84.3	67.4	126.4	108.9	89.0
Minorities	0.7	0.4	0.6	0.9	1.1
Group's Shareholders Equity	175.2	201.1	247.5	275.7	302.1
Financial Liabilities & Equity	260.2	268.9	374.5	385.4	392.2
Cash Flow statement (€ m)	2021	2022	2023e	2024e	2025e
Total net income	18.3	32.3	52.7	35.2	33.4
Depreciation	25.0	28.1	32.0	33.6	35.9
Other non-cash charges	4.1	(4.0)	0.4	(8.4)	(7.4)
Cash Flow from Oper. (CFO)	47.3	56.4	85.1	60.4	61.9
Change in NWC	7.7	(1.5)	(6.4)	(1.1)	(0.3)
FCF from Operations (FCFO)	55.1	54.9	78.6	59.3	61.7
Net Investments (CFI)	(33.4)	(31.1)	(116.2)	(19.0)	(19.0)
Free CF to the Firm (FCFF)	21.7	23.8	(37.6)	40.3	42.7
CF from financials (CFF)	(7.1)	(9.9)	(1.4)	(14.8)	(22.8)
Free Cash Flow to Equity (FCFE)	14.6	13.9	(39.0)	25.5	19.9
Financial ratios	2021	2022	2023e	2024e	2025e
EBITDA adj. margin	4.9%	6.4%	7.1%	5.6%	5.5%
EBIT margin	2.2%	3.3%	4.6%	3.1%	2.9%
Net profit margin	1.7%	2.7%	3.4%	2.3%	2.1%
Tax rate	11.2%	10.2%	15.0%	17.5%	18.0%
Op NWC/Sales	2.8%	2.6%	2.5%	2.5%	2.5%
Interest coverage x	0.14	0.15	0.16	0.16	0.15
Net Debt/EBITDA adj. x	1.59	0.89	1.15	1.26	1.04
Debt-to-Equity x	0.48	0.34	0.51	0.39	0.29
ROIC	7.0%	12.0%	14.1%	9.1%	8.5%
ROCE	7.6%	12.8%	17.6%	10.7%	9.6%
ROACE	7.7%	13.2%	19.1%	11.1%	9.8%
ROE	10.4%	16.0%	21.3%	12.8%	11.1%
Payout ratio	27.8%	18.8%	12.9%	19.2%	20.3%
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 Dilute	17.68	17.68	17.68	17.68	17.68
EPS stated FD €	1.03	1.82	2.98	1.99	1.89
EPS adjusted FD €	1.08	2.09	3.18	2.06	1.96
EBITDA €	2.99	4.30	6.22	4.87	4.85
EBIT €	1.31	2.26	4.02	2.72	2.56
FCFO €	3.12	3.10	4.45	3.35	3.49
FCFF €	1.23	1.35	(2.13)	2.28	2.41
FCFE €	0.83	0.78	(2.20)	1.44	1.12
Dividend €	0.30	0.35	0.40	0.40	0.40



Q3/9M-23 results

Orsero reported impressive Q3/9M-23 results driven by the excellent performance of the Distribution BU, which posted record margins in the wake of solid organic growth coupled with a strong contribution of the French companies, Blampin and Capexo. Moreover, the Shipping BU keeps recording very satisfactory profitability levels notwithstanding the ongoing normalisation trend, which is expected to be more pronounced in 2024. FY-23 guidance revised upwards once again.

Table 1 – Orsero, Q3/9M-23 result summary

€ m	Q3-23	Q3-22	% YoY	9M-23	9M-22	% YoY
Net Revenues	399.3	318.1	25.5	1,162.7	894.3	30.0
COGS	(352.7)	(289.8)		(1,026.3)	(805.0)	
Gross Profit	46.6	28.3	64.5	136.5	89.3	52.9
% margin	11.7	8.9		11.7	10.0	
SG&A	(24.9)	(18.7)		(73.7)	(55.6)	
Other	(1.7)	0.7		(1.7)	0.7	
EBIT	20.0	10.3	93.2	61.0	34.3	77.8
% margin	5.0	3.2		5.2	3.8	
Financials	(2.7)	(1.0)		(7.9)	(4.0)	
Results from investments	0.7	0.6		1.8	1.9	
Pre Tax Profit	18.0	9.9	80.4	54.9	32.1	71.1
% margin	4.5	3.1		4.7	3.6	
Taxes	(2.5)	(0.1)		(7.1)	(2.5)	
Tax Rate	13.9%	0.8%		12.9%	7.7%	
Discontinued	0.0	0.0		0.0	0.0	
Minorities	(0.3)	0.1		(0.8)	(0.3)	
Net Profit	15.2	10.0	52.2	47.0	29.3	60.4
% margin	3.8	3.1		4.0	3.3	
D&A	(8.0)	(7.5)		(23.5)	(20.9)	
Provision	(0.7)	(0.2)		(1.7)	(1.0)	
Top Management Incentives	(0.2)	(0.4)		(0.6)	(0.8)	
Non-recurring income/expenses	(1.2)	0.3		(2.6)	(1.3)	
Adjusted EBITDA	30.1	18.2	65.9	89.4	58.4	53.0
% margin	7.5	5.7		7.7	6.5	
Adjusted EBIT	21.4	10.5	n.m.	64.2	36.4	76.1
% margin	5.4	3.3		5.5	4.1	
Adjusted Net Profit	16.5	10.1	63.6	49.9	31.4	59.0
% margin	4.1	3.2		4.3	3.5	

Source: CFO SIM elaboration on company data

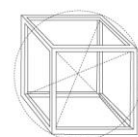
Net Revenues reached 1,162.7m, up 30.0% YoY, on the back of the strong performance of the Distribution BU, both organically and via M&A, along with still decent results of the Shipping BU. **On a like-for-like basis, Orsero grew by 7.6% YoY.**

Table 2 – Orsero, Q3/9M-23 revenues breakdown

€ m	Q3-23	Q3-22	% YoY	9M-23	9M-22	% YoY
Net Revenues	399.3	318.1	25.5	1,162.7	894.3	30.0
Distribution	380.7	290.8	30.9	1,097.1	817.0	34.3
Shipping	29.3	36.7	(20.1)	98.4	106.0	(7.2)
Services	2.6	3.0	(12.3)	8.0	8.7	(7.6)
Intercompany	(13.4)	(12.4)	(7.9)	(40.7)	(37.4)	(8.8)

Source: CFO SIM elaboration on company data

The **Distribution BU totalled € 1,097.2m, up by 34.3% YoY**, originating from 1) a higher value of the product mix, also driven by the price increases across all product categories, 2) higher volumes on selected items (i.e. platano canario, exotic fruits and citrus) as well as, 3) a strong contribution of the French companies, Blampin and Capexo. **Organically, the division exhibited a remarkable 9.7% YoY growth.**



The **Shipping BU** reached **€ 98.4m**, down **7.2%** compared to **9M-22**, due to a lower loading factor with respect to reefer volumes and, more importantly, the ongoing normalisation trend of the 'dry-cargo' market. In addition, Q3-23 results were affected by the declining bunker price which is automatically rebated to final customers (reflecting on the reefer revenues on the back of the BAF clause).

Adjusted EBITDA soared by **53% YoY** to **€ 89.4m**, **7.7% margin**, compared to € 58.4m, 6.5% margin posted in 9M-22. **On a like-for-like basis, adjusted EBITDA increased by 25.3% YoY.**

Table 3 – Orsero, Q3/9M-23 EBITDA adj. breakdown

€ m	Q3-23	Q3-22	% YoY	9M-23	9M-22	% YoY
Adjusted EBITDA	30.1	18.2	65.6	89.4	58.4	53.0
Distribution	24.0	8.1	n.m.	62.7	26.1	n.m.
Shipping	7.9	11.9	(33.6)	33.0	38.0	(13.2)
Services	(1.8)	(1.8)	2.5	(6.3)	(5.7)	(10.8)
Adjusted EBITDA %	7.5	5.7		7.7	6.5	
Distribution %	6.3	2.8		5.7	3.2	
Shipping %	26.9	32.4		33.5	35.8	
Services %	(68.1)	(61.3)		(78.7)	(65.6)	

Source: CFO SIM elaboration on company data

The **Distribution BU's EBITDA** amounted to **€ 62.7m**, with a **record margin of 5.7%**, more than doubled compared to € 26.1m, 3.2% margin, posted in 9M-22. It came as a consequence of 1) the contribution of the recent acquisitions, 2) a better product mix, 3) higher banana prices benefiting from a more balanced supply/demand environment, and 4) a significant reduction in energy costs, down by € 3.4m YoY.

The European F&V environment is currently rather stable, as it was not negatively impacted by the oversupply issues caused by overproduction. In fact, the recent adverse climate events decreased, to a certain extent, the availability of fresh products.

The **Shipping BU's EBITDA** came in at **€ 33.0m**, **33.5% margin**, down by 13.2% compared to € 38.0m, 35.8% margin in the same period of 2022, chiefly in light of a lower loading factor as well as the consistent normalisation of the 'dry-cargo' market, both in terms of volume and average freight rates.

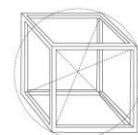
Adjusted EBIT was **€ 64.2m**, **5.2% margin** compared to € 36.4m, 3.8% margin recorded in 9M-22. **Adjusted Net Profit totalled € 49.9m**, **4.3% margin** (vs € 31.4m, 3.5% margin in 9M-22), as a result of the strong operating performance despite rising interest expenses.

Net Financial Position stood at **€ 127.3m**, compared to € 67.4m at year-end 2022, mainly reflecting 1) cash outlay for the French acquisitions 2) NWC absorption of € 11.2m, 3) CapEx of € 10.7m, 4) dividend payment of € 6.0m, and 5) buyback of € 1.1m. Anyway, the increase in NFP was partially offset by a **record operating cash flow of € 54.3m**. After excluding IFRS-16 related liabilities, NFP was € 76.8m.

Table 4 – Orsero, 9M-23 Balance Sheet highlights

€ m	9M-23	FY-22	% YoY
Net Invested Capital	371.9	268.9	38.3
Shareholders' Equity	244.5	201.5	21.3
Net Financial Position	127.3	67.4	88.9
NFP/Shareholders' Equity	0.52	0.33	
NFP/Adjusted EBITDA	1.19	0.89	
Net Financial Position ex. IFRS16	76.8	25.8	n.m.
NFP/Shareholders' Equity excl. IFRS-16	0.31	0.13	
NFP/Adjusted EBITDA excl. IFRS-16	0.84	0.41	

Source: CFO SIM elaboration on company data



Outlook, estimates & valuation

Orsero posted another impressive set of results, given organic growth close to double-digit and outstanding profitability bolstered by the already tangible synergies arising from the integration of the acquired French companies. Additionally, although the current reference market experienced lower volumes and higher selling prices, Orsero managed to expand both, thus increasing its overall market share.

Additionally, strong cash flow generation and a sound balance sheet allow Orsero to focus on both scouting M&A opportunities, in order to further enrich its offer, as well as on shareholders' remuneration actions. The BoD resolved to submit to the Shareholders' Meeting (convened on 20th December) a new buy-back programme of maximum € 10m (approximately 3.3% of current market capitalisation).

Following the revision of the FY-23 guidance after the H1-23 results release, the strong Q3/9M-23 results prompted Orsero to revise it upwards again:

Table 5 – Orsero, FY-23 guidance revision

FY-23 guidance - € m	November 2023	September 2023	February 2023
Net Revenues	1,500 -1,550	1,470 -1,520	1,440 -1,510
Adjusted EBITDA	105-110	92-97	82-87
% margin	7.0-7.1	6.3-6.4	5.7-5.8
Adjusted Net Profit	52-55	44-48	38-42
NFP*	127-122	138-132	148-140
CAPEX**	14-16	14-16	14-16

Source: Company data

*Considering the renewal of the 5th vessel for a two-year period (2024/2025), resulting in approximately € 10m of IFRS-16 liabilities); ** Including the ESG-related investments

Following Q3/9M-23 results, we have upgraded our estimates by aligning our FY-23 figures with the high-end of the revised company's guidance with respect to both the top line and EBITDA, while also raising financial expenses due to the current interest rate environment. Moreover, we have fine-tuned our estimates for the Shipping activity, in order to better factor in the consistent normalisation of both volumes and average freight rates of the dry-cargo market in 2024-25. The combined result foresees an average increase of 3.2%, 5.1% and 7.5% in Net Revenues, Adjusted EBITDA and Adjusted Net Profit, respectively, in 2023-25.

Table 6 – Orsero, 2023e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Revenues	1,544.0	1,477.2	4.5	66.8
Adjusted EBITDA	110.0	96.7	13.7	13.3
% margin	7.1	6.5		
Adjusted EBIT	75.1	59.7	26.0	15.5
% margin	4.9	4.0		
Adjusted Net Profit	56.3	46.4	21.2	9.9
% margin	3.6	3.1		
Y/E net debt (net cash)	126.4	134.5	(6.0)	(8.0)

Source: CFO SIM

Table 7 – Orsero, 2024e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Revenues	1,547.8	1,502.3	3.0	45.5
Adjusted EBITDA	86.1	85.6	0.6	0.6
% margin	5.6	5.7		
Adjusted EBIT	49.6	47.5	4.5	2.1
% margin	3.2	3.2		
Adjusted Net Profit	36.5	36.5	0.0	0.0
% margin	2.4	2.4		
Y/E net debt (net cash)	108.9	114.6	(5.0)	(5.7)

Source: CFO SIM

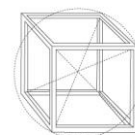


Table 8 – Orsero, 2025e new/old estimates

€ m	New	Old	% Diff.	€ m Diff.
Net Revenues	1,564.3	1,531.2	2.2	33.1
Adjusted EBITDA	85.7	84.8	1.0	0.9
% margin	5.5	5.5		
Adjusted EBIT	46.8	45.8	2.3	1.1
% margin	3.0	3.0		
Adjusted Net Profit	34.7	34.3	1.3	0.4
% margin	2.2	2.2		
Y/E net debt (net cash)	89.0	96.5	(7.8)	(7.5)

Source: CFO SIM

As a consequence of the estimates upgrade and the updated valuation criteria, the **new PT stands at € 25.00/s** (€ 22.50), **48.3% 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 9 - Orsero, WACC derived from:

Interest costs, pre-tax	4.5%
Tax rate	18.0%
Inf. costs, after taxes	3.7%
Risk premium, incl. small size premium	9.0%
Risk-free (10Y Gov. Bond 200d moving average)	4.30%
Beta levered (x)	0.70
Required ROE	10.6%

Source: CFO SIM

Risk premium at 9.0% factors in the minute size of the company and basically all the small capitalisation-related concerns that an investor might have. The **risk-free rate at 4.30%** (previously 4.20%) 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 10 - Orsero, DCF model

€ m	2023e	2024e	2025e	2026e	2027e	Term. Val.
EBIT	71.0	48.1	45.3	47.4	47.9	
Tax rate	15.0%	17.5%	18.0%	18.0%	18.0%	
Operating profit (NOPAT)	60.4	39.7	37.2	38.9	39.3	
Change working capital	(6.4)	(1.1)	(0.3)	(0.4)	(0.5)	
Depreciation	32.0	33.6	35.9	27.5	19.0	
Investments	(116.2)	(19.0)	(19.0)	(19.0)	(19.0)	
Free Cash Flows	(30.3)	53.2	53.8	46.9	38.8	519.1
Present value	(30.0)	48.5	45.3	36.4	27.7	370.4
WACC	8.5%	8.5%	8.5%	8.5%	8.5%	
Long-term growth rate	1.0%					

Source: CFO SIM

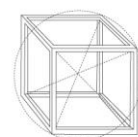


Table 11 – Orsero, DCF equity value derived from:

Total EV present value € m	498.2
<i>thereof terminal value</i>	74.3%
NFP last reported	(67.4)
Pension provision last reported	(8.3)
Equity value € m	422.5
#m shares (ex. treasury shares)	16.93
Equity value €/s	25.00
<i>% upside/(downside)</i>	48.3%

Source: CFO SIM

The application of the model produces an equity value of € 422.5m, corresponding to € 25.00/share (€ 22.50), 48.3% upside.

The following tables illustrate that **sensitivity**, 1) compared to changes in the **terminal growth rate**, produces an equity value of between € 22.20-28.55/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 € 20.30-31.71/s (free risk range of between 6.30% and 2.30%) and,3) if compared to changes in the **risk premium**, including small size premiums, results in an equity value of € 21.54-29.38/s (risk premium range of between 11.00% and 7.00%).

Table 12 – 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	127.8	127.8	127.8	127.8	127.8	127.8	127.8	127.8	127.8
PV of terminal value	323.8	334.4	345.6	357.6	370.4	384.0	398.6	414.3	431.2
Total value	451.6	462.2	473.4	485.4	498.2	511.8	526.4	542.1	559.0
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)
Equity value	375.9	386.5	397.7	409.7	422.5	436.1	450.7	466.4	483.3
Equity value/share €	22.20	22.83	23.49	24.20	25.00	25.76	26.62	27.55	28.55

Source: CFO SIM

Table 13 – Orsero, equity value sensitivity to changes in free risk rate

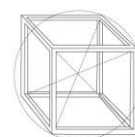
€ m	2.30%	2.80%	3.30%	3.80%	4.30%	4.80%	5.30%	5.80%	6.30%
Present value of CF	132.8	131.5	130.3	129.0	127.8	126.6	125.4	124.3	123.1
PV of terminal value	479.8	447.9	419.3	393.6	370.4	349.3	330.0	312.5	296.3
Total value	612.5	579.4	549.5	522.6	498.2	475.9	455.5	436.7	419.4
NFP last reported	(67.4)	(67.4)	(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)
Equity value	536.8	503.7	473.8	446.9	422.5	400.2	379.8	361.0	343.7
Equity value/share €	31.71	29.75	27.99	26.40	25.00	23.64	22.43	21.32	20.30

Source: CFO SIM

Table 14 – 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	131.2	130.4	129.5	128.7	127.8	127.0	126.1	125.3	124.5
PV of terminal value	441.9	422.0	403.6	386.4	370.4	355.4	341.4	328.2	315.9
Total value	573.1	552.4	533.1	515.0	498.2	482.4	467.5	453.5	440.3
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)
Equity value	497.4	476.7	457.4	439.3	422.5	406.7	391.8	377.8	364.6
Equity value/share €	29.38	28.16	27.02	25.95	25.00	24.02	23.14	22.32	21.54

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 € 1.0bn market cap, € 7.7bn revenues and a 4.3% EBITDA margin projected in 2023, 2) Fresh Del Monte shows a € 1.0bn market cap and € 4.1bn sales with a 5.9% EBITDA margin expected in 2023; 3) Greenyard exhibits a € 312m market value and € 4.9bn sales with a 3.6% EBITDA margin expected in 2023.

Orsero is the smallest on the list in terms of turnover although boasts **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 15 – Orsero, peer group summary table

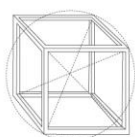
€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA % CAGR ₂₂₋₂₅	Sales CAGR ₂₂₋₂₅	EBITDA CAGR ₂₂₋₂₅	EBIT CAGR ₂₂₋₂₅	EPS CAGR ₂₃₋₂₅	NFP FY1	NFP /EBITDA
Dole PLC	969	7,743	334	4.3%	-1.8%	19.0%	35.2%	17.7%	895	2.7
Fresh Del Monte Produce Inc	1,040	4,080	243	5.9%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Greenyard NV	312	4,944	179	3.6%	5.0%	7.1%	13.0%	21.8%	383	2.1
Median	969	4,944	243	4.3%	1.6%	13.0%	24.1%	19.7%	639	2.4
Orsero SpA	298	1,544	110	7.1%	9.4%	4.1%	0.8%	-21.5%	126	1.1

Sources: Refinitiv Eikon, CFO SIM

Table 16 – Orsero, 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	11.6	9.5	8.4	4.8	4.5	4.0	5.6	5.0	4.8
Fresh Del Monte Produce Inc	10.3	9.9	n.a.	5.9	5.5	n.a.	n.a.	n.a.	n.a.
Greenyard NV	10.7	8.8	7.2	2.3	2.1	2.0	3.9	3.5	3.2
Median	10.7	9.5	7.8	4.8	4.5	3.0	4.7	4.2	4.0
Orsero SpA	5.3	8.2	8.6	3.3	4.1	4.1	3.9	4.7	4.5
% (Discount)/Premium to peer	-50.3%	-14.4%	10.4%	-31.3%	-8.9%	35.6%	-18.4%	11.3%	12.5%

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 Euronext Star Milan**, the STAR segment of Borsa Italiana dedicated to high requirement stocks. Orsero stock reached an intraday 1Y maximum level of € 17.26/s on 15th Nov 23 and a 1Y minimum price of € 11.80 on 15th May 2023.

Table 17 – Orsero, peers group and indexes absolute performance

%	1D	1W	1M	3M	6M	YTD	1Y
Dole PLC	(7.4)	(4.0)	3.5	(17.6)	(14.3)	14.7	21.0
Fresh Del Monte Produce Inc	(2.7)	(1.0)	(7.6)	(12.2)	(11.8)	(10.4)	(15.4)
Greenyard NV	1.7	7.3	7.8	(10.1)	(6.5)	(9.7)	(18.2)
Peers Median	(2.7)	(1.0)	3.5	(12.2)	(11.8)	(9.7)	(15.4)
Orsero SpA	1.1	8.9	17.9	29.7	26.6	26.6	18.1
FTSE Italia STAR	(0.9)	0.1	6.5	(2.9)	(9.2)	(6.7)	(7.6)
Refinitiv Food & Beverage EU	(0.9)	(1.2)	2.2	(5.0)	(10.6)	(5.5)	(3.7)

Source: Refinitiv Eikon

Table 18 – Orsero, relative performances

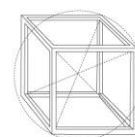
%	1D	1W	1M	3M	6M	YTD	1Y
Orsero SpA to peers	3.7	9.9	14.4	41.9	38.3	36.3	33.4
Orsero SpA to FTSE Italia STAR	2.0	8.8	11.4	32.6	35.8	33.3	25.6
Orsero SpA to EU Sector	1.9	10.1	15.7	34.7	37.2	32.1	21.8

Source: Refinitiv Eikon

Risks

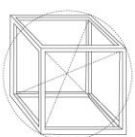
The principal investment **risks** associated with Orsero include:

- impacts on the P&L account and balance sheet profiles triggered by a sharp decline in local and global economic growth;
- decrease in consumption of fruit & vegetables due to prolonged inflationary pressures;
- profit margin dilution stemming from the acquisition campaign;
- impact of sharp US\$ and bunker price fluctuations.





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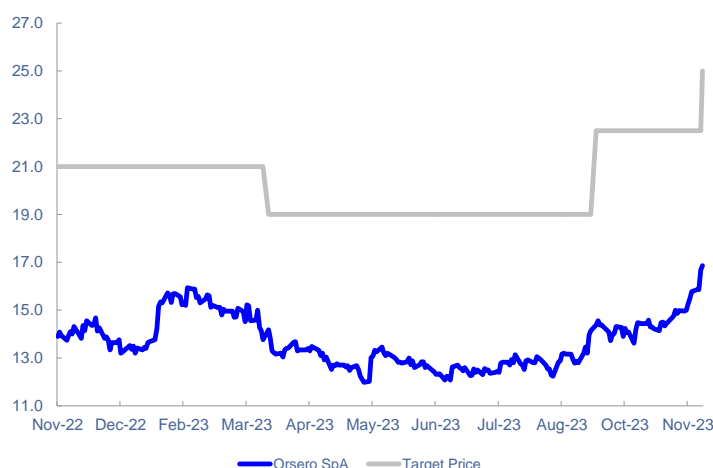
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DATE	TARGET PRICE	RATING
17/11/2023	€25.00	BUY
18/09/2023	€22.50	BUY
16/05/2023	€19.00	BUY
20/03/2023	€19.00	BUY
06/02/2023	€21.00	BUY
15/11/2022	€21.00	BUY
04/11/2022	€21.00	BUY
15/09/2022	€21.00	BUY

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- a **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.

