

Italy - Food

2021: another growing and profitable year

2<sup>nd</sup> February 2021

FY-21 GUIDANCE RELEASE

RIC: ORSO.MI  
BBG: ORS IM

According to company guidance, the outlook for the coming year shows achievable top line growth and further margin progression driven by a favourable mix and the enduring recovery of the French subsidiary. CFO forecasts are positioned at the lowend of the announced range. Business resiliency and M&A upside make the equity story still strong.

Rating:

**Buy**

Price Target:

**€ 8.50**

Upside/(Downside): 39.3%

Last Price: € 6.10

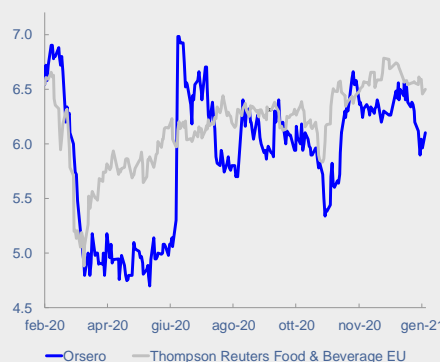
Market Cap.: € 107.9m

1Y High/Low: € 7.66/€ 4.30

Free Float: 59.5%

Major shareholders:

FIF Holding 32.5%  
Grupo Fernández 6.3%



Stock price performance

	1M	3M	12M
<b>Absolute</b>	-5.6%	12.1%	-4.7%
<b>Rel.to FTSE STAR</b>	-4.9%	-5.8%	-21.8%
<b>Rel.to EU Sector</b>	-2.0%	1.4%	-2.9%

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**Business resiliency and M&A upside make the investment case still strong**

Last year's strengthening of the business model and its focus on the expansion of the distribution division as well as the consolidation and normalisation of the shipping activities are consistently bringing their tangible fruits. Company guidance for 2021 entails another growing and profitable year in a difficult environment. In addition, considering that 86% of the CFO SIM expected FY-20 EBITDA was already achieved in the first nine months of the year, we might not exclude an earnings surprise when FY-20 results are released (next 16-Mar). The group's business model is demonstrating strong solidity and resiliency in harsh times: we reiterate the Buy recommendation on the shares.

**CFO estimates at the low-end of FY-21 company guidance**

As well as done at the beginning of 2020, the company has announced FY-21 guidance. FY-21 revenues are expected between € 1,040m and € 1,060m (€ 1,075m CFO projection), implying a progression of some 1% on 2020. EBITDA is projected between € 47m and € 49m (€ 47m CFO estimate), 4.5-4.6% margin, i.e. a 10-20bps improvement. Net Profit is foreseen between € 13m and € 15m (€ 13m CFO expectation). Net Financial Position should come between € 82m and € 87m (€ 85m CFO assumption), which means an improvement of some € 20m versus FY-20. After a period characterised by a significant amount of investment expenditure, also weighed down by four periodic ship dry-dockings, capex should amount to between € 9m and € 10m (€ 10m CFO forecast).

€ m	2020e ORS	2020e CFO	2021e ORS	2021e CFO
Turnover	1,030-1,050	1,048	1,040-1,060	1,075
EBITDA adj.	45-47	45	47-49	47
margin	4.3%-4.4%	4.3%	4.5%-4.6%	4.4%
NFP	105-100	106	87-82	85

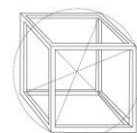
Source: Company Data, CFO SIM estimates

**Focus on external growth to seize opportunities in growing and profitable niches.**

The balance sheet structure will allow Orsero to continue its acquisition campaign, aimed at seizing opportunities in growing and profitable niches. In our opinion, possible targets might operate in the Bio-Organic and berry niches. If we assume a well-manageable 3x NFP/EBITDA leverage ratio, Orsero should/may have enough firepower to grab relatively sizeable firms in those segments. In a sector where underlining organic growth on offer is quite limited, potential external growth opportunities are anticipated to contribute to changing the development profile of the group as well as to placing Orsero as a best-in-class industry player in terms of profitability and returns.

**Orsero, key financials and ratios**

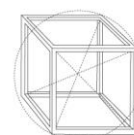
€ m	2018	2019	2020e	2021e	2022e
Sales	952.8	1,005.7	1,048.2	1,075.2	1,103.0
EBITDA adj	32.9	38.7	45.5	47.2	48.4
EBIT adj	17.5	13.0	19.7	21.7	23.3
Net profit	8.0	2.0	10.6	13.0	14.1
Net profit adj	12.7	5.3	11.6	13.0	14.1
NFP (cash)/debt	36.1	126.9	106.3	85.4	66.8
EPS adjusted FD	0.72	0.30	0.66	0.73	0.80
EPS adj. FD growth	-32.1%	-58.4%	119.6%	11.6%	8.8%
DPS ord. €/s	0.12	0.08	0.12	0.13	0.14
Dividend yield	2.0%	1.2%	2.0%	2.1%	2.3%
Free Cash Flow Yield	11.1%	-15.1%	20.3%	21.4%	19.3%
PER x	8.5	23.9	9.3	8.3	7.6
EV/Sales x	0.19	0.25	0.20	0.18	0.16
EV/EBITDA x	5.4	6.6	4.7	4.1	3.6
EV/EBIT x	10.1	19.6	10.9	8.9	7.5





Income statement (€ m)	2018	2019*	2020e	2021e	2022e
Revenues	952.8	1,005.7	1,048.2	1,075.2	1,103.0
COGS	(874.8)	(927.9)	(959.2)	(982.1)	(1,007.4)
Gross Profit	78.0	77.8	89.0	93.1	95.6
SG&A	(66.6)	(69.4)	(70.6)	(71.4)	(72.3)
EBIT	11.4	8.4	18.4	21.7	23.3
Financials	(2.5)	(3.9)	(3.9)	(3.9)	(3.9)
Results from investments	2.4	1.0	1.0	1.0	1.0
Pre Tax Profit	11.2	5.5	15.4	18.8	20.4
Taxes	(3.2)	(3.2)	(4.6)	(5.6)	(6.1)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)
Net Profit	8.0	2.0	10.6	13.0	14.1
D&A and Provisions	(15.4)	(25.8)	(25.8)	(25.5)	(25.1)
Non recurring items	(6.1)	(4.6)	(1.3)	0.0	0.0
EBITDA adj.	32.9	38.7	45.5	47.2	48.4
EBIT adj.	17.5	13.0	19.7	21.7	23.3
Net Profit adj.	12.7	5.3	11.6	13.0	14.1
Balance sheet (€ m)	2018	2019*	2020e	2021e	2022e
Net Working Capital	32.4	30.6	12.0	15.3	21.6
Net Fixed Assets	141.2	233.7	240.2	226.0	212.3
Equity Investments	8.9	8.1	8.3	8.4	8.6
Other M/L Term A/L	3.7	5.5	6.2	6.8	7.4
Net Invested Capital	186.3	277.8	266.6	256.6	249.9
Net Financial Debt/(cash)	36.1	126.9	106.3	85.4	66.8
Minorities	0.5	0.7	0.9	1.0	1.2
Group's Shareholders Equity	149.7	150.2	159.4	170.2	181.9
Financial Liabilities & Equity	186.3	277.8	266.6	256.6	249.9
Cash Flow statement (€ m)	2018	2019*	2020e	2021e	2022e
Total net income	8.0	2.0	10.6	13.0	14.1
Depreciation	13.7	23.7	24.4	24.0	23.6
Other non-cash charges	2.3	(1.8)	(0.7)	(0.6)	(0.6)
Cash Flow from Oper. (CFO)	23.9	24.0	34.3	36.4	37.1
Change in NWC	10.6	1.9	18.6	(3.3)	(6.3)
FCF from Operations (FCFO)	34.5	25.9	52.9	33.0	30.8
Net Investments (CFI)	(22.5)	(42.1)	(31.0)	(10.0)	(10.0)
Free CF to the Firm (FCFF)	12.0	(16.3)	21.9	23.0	20.8
CF from financials (CFF)	(15.5)	(3.5)	13.7	(2.1)	(2.3)
Free Cash Flow to Equity (FCFE)	(3.6)	(19.7)	35.6	21.0	18.6
Financial ratios	2018	2019*	2020e	2021e	2022e
EBITDA adj. margin	3.5%	3.8%	4.3%	4.4%	4.4%
EBIT margin	1.2%	0.8%	1.8%	2.0%	2.1%
Net profit margin	0.8%	0.2%	1.0%	1.2%	1.3%
Tax rate	28.8%	58.6%	30.0%	30.0%	30.0%
Op NWC/Sales	3.4%	3.0%	1.1%	1.4%	2.0%
Interest coverage x	0.22	0.46	0.21	0.18	0.17
Net Debt/EBITDA adj. x	1.10	3.28	2.34	1.81	1.38
Debt-to-Equity x	0.24	0.84	0.67	0.50	0.37
ROIC	4.3%	0.7%	4.0%	5.1%	5.7%
ROCE	6.3%	3.7%	5.2%	5.6%	5.8%
ROACE	6.2%	4.1%	5.4%	5.7%	5.9%
ROE	5.3%	1.3%	6.7%	7.6%	7.8%
Payout ratio	25.5%	63.2%	19.6%	17.4%	17.2%
Per share figures	2018	2019*	2020e	2021e	2022e
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 €	0.45	0.11	0.60	0.73	0.80
EPS adjusted FD €	0.72	0.30	0.66	0.73	0.80
EBITDA €	1.86	2.19	2.57	2.67	2.74
EBIT €	0.64	0.47	1.04	1.23	1.32
FCFO €	1.95	1.46	2.99	1.87	1.74
FCFF €	0.68	(0.92)	1.24	1.30	1.18
FCFE €	(0.20)	(1.12)	2.01	1.19	1.05
Dividend €	0.12	0.08	0.12	0.13	0.14

\*as of 2019 figures include IFRS 16 effect



## The company in a nutshell

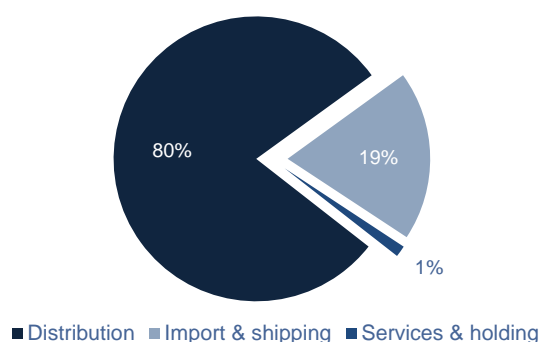
Orsero is an international group headquartered in Albenga (Savona), operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution 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 the sense of tradition and the passion of a large Italian family company for fruit and vegetables of the highest quality.

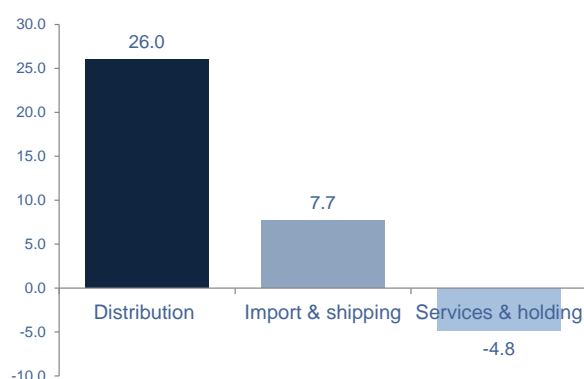
2019 Orsero highlights: € 1.0bn revenues, EBITDA adj. of € 28.9m (2.9% margin), € 5.3m adjusted net profit and € 66.9m net financial position (2.31x EBITDA adj.). Including IFRS 16 effect EBITDA adj. was € 38.7m and net financial position stood at € 126.9m

Orsero was listed on AIM Italia (Alternative Investment Market) 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 STAR segment of MTA market of Borsa Italiana since 23-Dec-19.

## 2019 Gross Turnover...



## ...and EBITDA by business



## Shareholder structure

	%	# m
FIF Holding	32.5%	5.75
Grupo Fernandez	6.3%	1.12
Treasury Shares	1.7%	0.30
<b>Free Float</b>	<b>59.5%</b>	<b>10.52</b>
o/w Praude Asset Management	9.5%	1.69
Global Portfolio Investments	5.7%	1.01
First Capital	5.1%	0.90
<b>Total</b>	<b>100.0%</b>	<b>17.68</b>

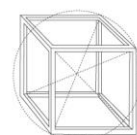
## Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Fresh Del Monte Produce Inc	(0.4)	0.7	0.7	12.4	5.3	1.2
Total Produce PLC	2.1	1.2	10.4	30.5	43.3	8.6
Greenyard NV	(0.6)	(1.3)	3.0	29.8	22.2	4.2
<b>Peers Median</b>	<b>(0.4)</b>	<b>0.7</b>	<b>3.0</b>	<b>29.8</b>	<b>22.2</b>	<b>4.2</b>
<b>Orsero Spa</b>	<b>2.7</b>	<b>(0.3)</b>	<b>(5.6)</b>	<b>12.1</b>	<b>5.2</b>	<b>(2.6)</b>
FTSE STAR Italia	1.6	0.5	(0.7)	17.9	19.3	0.1
EU Sector	0.7	(0.7)	(3.6)	10.8	3.3	(2.8)
Orsero Spa to peers	3.1	(1.1)	(8.5)	(17.7)	(17.0)	(6.7)
Orsero Spa to FTSE STAR Italia	1.1	(0.8)	(4.9)	(5.8)	(14.1)	(2.7)
Orsero Spa to EU Sector	2.0	0.4	(2.0)	1.4	1.8	0.2

## Peers 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
Fresh Del Monte Produce Inc	21.4	12.8	n.a.	7.7	6.3	n.a.	n.a.	n.a.	n.a.
Total Produce PLC	9.6	9.3	8.9	7.6	7.3	6.5	9.2	8.8	7.9
Greenyard NV	30.9	16.3	12.3	3.3	3.0	2.8	6.7	5.9	5.7
<b>Median</b>	<b>21.4</b>	<b>12.8</b>	<b>10.6</b>	<b>7.6</b>	<b>6.3</b>	<b>4.6</b>	<b>7.9</b>	<b>7.4</b>	<b>6.8</b>
<b>Orsero Spa</b>	<b>9.3</b>	<b>8.3</b>	<b>7.6</b>	<b>2.9</b>	<b>2.8</b>	<b>2.7</b>	<b>4.7</b>	<b>4.1</b>	<b>3.6</b>
% (Discount)/Premium to peer median	-57.9%	-37.0%	-29.6%	-63.3%	-56.7%	-42.4%	-41.5%	-45.1%	-47.6%

Source: CFO Sim, Thomson Reuters Eikon



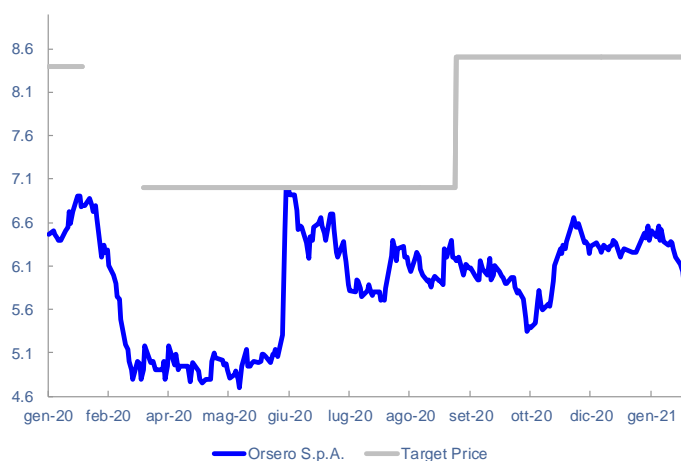
## ANALYST CERTIFICATION

This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' personal opinions and that no direct or indirect recompense has been, or will be, received by the analyst further to the views expressed herein.

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DATE	TARGET PRICE	RATING
02/02/2021	€8.50	BUY
16/11/2020	€8.50	BUY
16/09/2020	€8.50	BUY
15/05/2020	€7.00	BUY
18/03/2020	€7.00	BUY
13/02/2020	U.R.	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% bands identified using the preceding criteria.

The rating is determined on the basis of the **expected absolute return 12 months forward** and not on the basis of the estimated out/underperformance relative to a market index. Thus, the rating can be directly linked with the estimated percentage difference between current price and target price. 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.

