

Italy - Food

Encouraging signs of sector resilience

26th February 2021

SECTOR NEWS

RIC: ORSO.MI
BBG: ORS IM

Orsero's main comparables have just reported results characterised by strong solidity and resilience in a challenging year. Europe was less affected by lower demand than North America. Companies focusing on retail and wholesale chains have suffered less than firms highly exposed to the HoReCa sector.

Rating:

Buy

Price Target:

€ 8.50

Upside/(Downside): 34.1%

Last Price: € 6.34

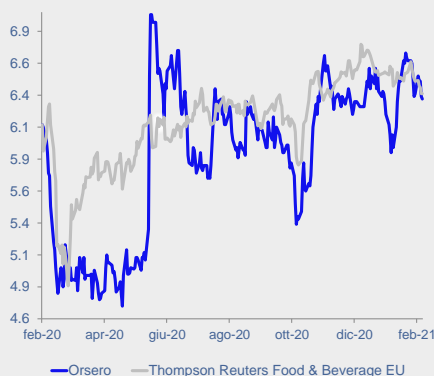
Market Cap.: € 112.1m

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
Absolute	5.0%	-3.1%	1.3%
Rel.to FTSE STAR	0.5%	-13.9%	-20.0%
Rel.to EU Sector	7.9%	-3.0%	0.1%

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Positive read-across for Orsero stemming from peers' results release

Fresh Del Monte, Total Produce and Greenyard have recently announced FY-20 results, FY-20 preliminary results and Q3-21 results respectively. Here are the main topics stemming from their analysis: 1) Europe was less affected by the COVID-19 pandemic than North America in terms of sales volume; 2) the products related to the HoReCa sector and the out-of-home consumption suffered the most; 3) positive momentum for basic fruits, namely citrus, apples and pears, more linked to home consumption. We can expect a similar trend for Orsero, consistently with 9M-20 results. Furthermore, 86% of the CFO SIM EBITDA estimate for FY-20 was already achieved in the first nine months of the year and Orsero is confident of reaching the top of the range of the FY-20 guidance. Orsero unveils its FY-20 results next 16-Mar.

Fresh Del Monte results affected by weak North American market

Fresh Del Monte's net sales were \$ 4.2bn, down 6.4% YoY. The decrease in the company's turnover was driven by the North American market (down 11% YoY), while Europe, Asia and Middle East grew by 0.5%, 2.9% and 1.7% respectively. Fresh and value-added product sales were \$ 2.5bn, down 8.1% YoY, as a result of lower sales in fresh-cut vegetables and fruits, avocados, vegetables, melons and prepared food, partially offset by higher sales in pineapples and non-tropical fruits. Banana sales were \$ 1.6bn, down 3.2% YoY due to lower net sales in North America and Europe, partially offset by higher net sales in Middle East and Asia. Gross profit was \$ 250.9m (6.0% margin) vs \$ 306.4m (6.8% margin) in FY-19. Net income totalled \$ 49.2m (1.2% margin) vs \$ 66.5m (1.5% margin) in 2019. Net debt decreased to \$ 542.0m from \$ 587.1m as at Dec-19.

Total Produce figures driven by robust retail and wholesale demand

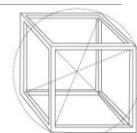
Total Produce's sales grew by 1.7% YoY to € 6.3bn, thanks to robust retail and wholesale demand, offsetting reduced sales volume in the foodservice sector. There was an increase in demand for the staple items, bananas, potatoes, vegetables and fruits with high vitamin C content (citrus and kiwi) with reduced demand for pineapples and melons due to lower foodservice activity. EBITDA adj. increased by 8.2% to € 219.4m, as a result of the robust performance in the Eurozone, partially offset by a weaker performance in the Non-Eurozone division which has higher exposure to the direct foodservice business. Adj. EPS FD was up 9.1% to 15.41 cent. Net debt was € 144.3m (€ 221.2m in FY-19), after a strong Op.CF of € 113.6m due to strong earnings growth and working capital inflows of € 52.1m.

Greenyard Q3 numbers shows increasing demand for fresh products in late 2020

Greenyard's Q3-21 sales (Oct-Dec 2020) increased by 10.3% YoY. The fresh segment's sales grew by 11.4% YoY, driven by higher volumes arising from the long-term relationship with clients. The long fresh segment rose by 6.4% thanks to a sales increase in the retail and food industry, which more than offset the lower sales recorded in the foodservice sector.

Orsero, key financials and ratios

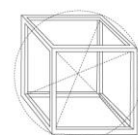
€ m	2018	2019	2020e	2021e	2022e
Sales	952.8	1,005.7	1,048.2	1,075.2	1,103.0
EBITDA adj	32.9	38.7	45.5	47.2	48.4
EBIT adj	17.5	13.0	19.7	21.7	23.3
Net profit	8.0	2.0	10.6	13.0	14.1
Net profit adj	12.7	5.3	11.6	13.0	14.1
NFP (cash)/debt	36.1	126.9	106.3	85.4	66.8
EPS adjusted FD	0.72	0.30	0.66	0.73	0.80
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	1.9%	1.2%	1.9%	2.1%	2.2%
Free Cash Flow Yield	10.7%	-14.5%	19.5%	20.6%	18.6%
PER x	8.8	23.9	9.6	8.6	7.9
EV/Sales x	0.19	0.25	0.21	0.18	0.16
EV/EBITDA x	5.4	6.6	4.8	4.2	3.7
EV/EBIT x	10.1	19.6	11.1	9.1	7.7





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

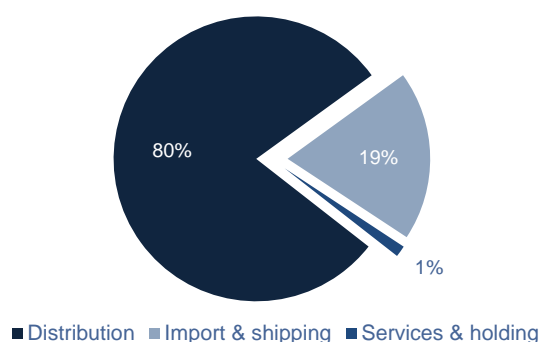
Orsero is an international group headquartered in Albenga (Savona), operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution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

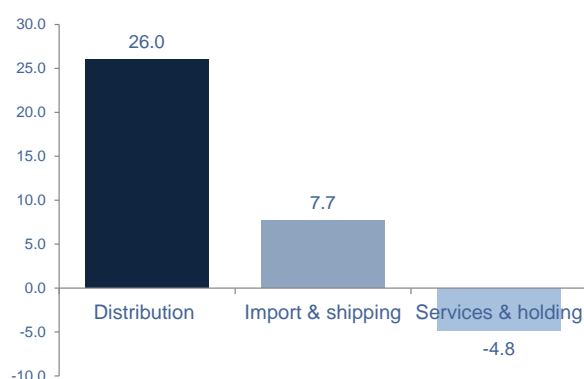
2019 Orsero highlights: € 1.0bn revenues, EBITDA adj. of € 28.9m (2.9% margin), € 5.3m adjusted net profit and € 66.9m net financial position (2.31x EBITDA adj.). Including IFRS 16 effect EBITDA adj. was € 38.7m and net financial position stood at € 126.9m

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 the 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
Free Float	59.5%	10.52
o/w Praude Asset Management	9.5%	1.69
Global Portfolio Investments	5.7%	1.01
First Capital	5.1%	0.90
Total	100.0%	17.68

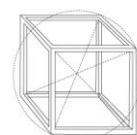
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Fresh Del Monte Produce Inc	(5.2)	(0.7)	1.1	(0.0)	5.4	4.5
Total Produce PLC	0.2	2.7	42.2	48.2	90.7	52.3
Greenyard NV	2.9	10.2	24.3	29.7	37.9	30.1
Peers Median	0.2	2.7	24.3	29.7	37.9	30.1
Orsero Spa	(1.9)	0.0	5.0	(3.1)	4.6	1.3
FTSE STAR Italia	(0.3)	(1.4)	4.5	10.9	21.0	3.6
EU Sector	(0.8)	(1.8)	(3.0)	(0.1)	1.0	(4.3)
Orsero Spa to peers	(2.1)	(2.7)	(19.3)	(32.7)	(33.3)	(28.8)
Orsero Spa to FTSE STAR Italia	(1.5)	1.4	0.5	(13.9)	(16.4)	(2.3)
Orsero Spa to EU Sector	(1.1)	1.8	7.9	(3.0)	3.6	5.6

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	n.a.	12.4	n.a.	n.a.	6.1	n.a.	n.a.	n.a.	n.a.
Total Produce PLC	13.3	12.7	n.a.	10.2	9.2	n.a.	11.2	10.3	n.a.
Greenyard NV	44.5	21.9	16.2	4.3	3.8	3.6	6.6	5.9	5.7
Median	28.9	12.7	16.2	7.2	6.1	3.6	8.9	8.1	5.7
Orsero Spa	9.6	8.6	7.9	3.0	2.9	2.9	4.8	4.2	3.7
% (Discount)/Premium to peer median	-66.7%	-31.9%	-51.1%	-58.5%	-52.5%	-21.5%	-46.1%	-48.3%	-34.8%

Source: CFO Sim, Thomson Reuters Eikon



ANALYST CERTIFICATION

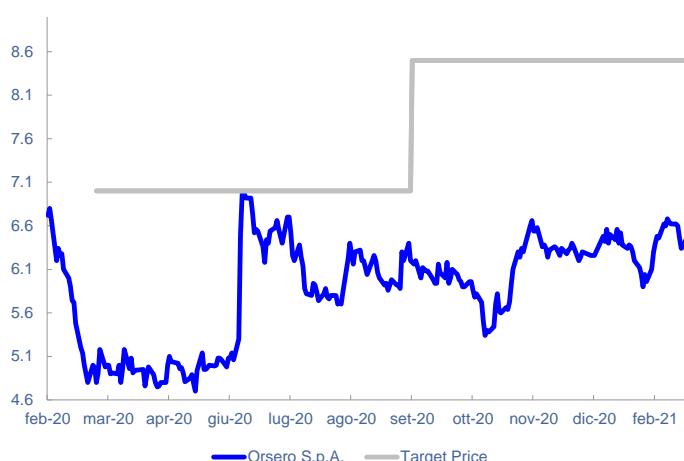
This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts' 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
26/02/2021	€8.50	BUY
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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RATING SYSTEM

- 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.

