

Italy - Food

Strong H1-21 CF prompts an improvement in FY NFP guidance

15<sup>th</sup> September 2021

H1-21 RESULTS RELEASE

RIC: ORSO.MI  
BBG: ORS IM

Orsero showed a more than satisfactory set of results in Q2-21 considering the extremely difficult comparison with Q2-20, a quarter characterised by strong panic buying driven by spread of COVID-19 and the related lockdowns. The robust Cash Flow generation prompted the company to improve FY-21 NFP guidance.

Rating:

**Buy**

Price Target:

**€ 13.50 (€ 12.80)**

Upside/(Downside): 37.2%

Last Price: € 9.84

Market Cap.: € 174m

1Y High/Low: € 10.35/€ 5.32

Free Float: 60.3%

Major shareholders:

FIF Holding 32.5%  
Grupo Fernández 6.3%



Stock price performance

	1M	3M	12M
<b>Absolute</b>	<b>3.6%</b>	<b>4.9%</b>	<b>57.2%</b>
<b>Rel.to FTSE STAR</b>	<b>0.3%</b>	<b>-5.1%</b>	<b>0.1%</b>
<b>Rel.to EU Sector</b>	<b>5.8%</b>	<b>9.0%</b>	<b>45.0%</b>

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Interim strong CF leads us to improve FY-21 NFP estimate: Buy rating reiterated

As expected, Orsero showed a more than satisfactory set of results in Q2-21 considering the extremely difficult comparison with Q2-20, a quarter characterised by strong panic buying driven by spread of the COVID-19 and the related lockdowns. If we look at the H1-20 numbers at a profitability level, this effect is more than entirely counterbalanced by the good performance reported in Q1-21 and the performance is consistent with the company's expectations for FY-21. The robust Cash Flow generation prompted Orsero to improve NFP guidance for FY-21, confirming its economic targets. The company guidance for 2021 foresees another growing profitable year in a difficult scenario. As a consequence of the updated valuation methodology assumptions and Cash Flow generation, we set a new DCF-based PT of € 13.50 (€ 12.80), 37.2% upside. Buy.

Top line only slightly down...

Q2-21 revenues declined by 2.5% to € 272.8m: the 7.0% growth in the Shipping BU was entirely offset by the decrease recorded by the Import & Distribution BU. The Import & Distribution segment totalled revenues of € 256.7m, down by 3.0% YoY, showing declining volumes but improving price/mix effect due to the implementation of a strategy aimed at revising the product portfolio by reducing the weight of commodity products such as bananas and increasing products with higher added value, namely avocado, mango, table grapes, and kiwi. The Shipping segment generated sales to the tune of € 25.7m, up 7.0% YoY as a result of higher volumes.

...as well as EBITDA, but margin remains at record levels

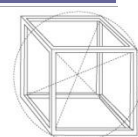
Adj. EBITDA declined by 8.7% to € 12.8m, margin of 4.7% vs. 5.0% in Q2-20 despite the decrease in consolidated top line results owing to a better mix and the outstanding performance of the French and Mexican subsidiaries. Import & Distribution's adj. EBITDA was € 8.9m, down from € 11.8m recorded in the same period of 2020. Margin declined by 100bps to 3.5%, primarily as a result of a drop in volumes despite the better mix. Shipping's adj. EBITDA was € 6.0m, up 48.6% compared to € 4.0m of Q2-20, with a further improvement in the EBITDA margin from 16.8% to 23.3%, thanks to 1) the strong load factor (above 95%) and 2) additional operational efficiencies stemming from the navigation schedule with 5 ships (4 owned and 1 chartered) implemented since 2019.

Strong cash flow generation allowed a significant NFP decrease

Adj. EBIT reached € 5.3m vs. € 7.6m recorded in Q2-20. Adj. Net Profit decreased from € 5.2m to € 3.5m as a consequence of the decline in EBITDA in the period. Net Profit totalled € 3.3m, down by € 1.2m compared to € 4.5m in Q2-20. NFP diminished to € 91.4m from € 103.3m in Dec-20 as a result of 1) the € 10.5m capex (of which € 3.1m related to higher rights of use linked to the application of the IFRS 16), 2) € 3.5m dividend paid to shareholders and 3) the remarkable € 21.8m operating cash flow generation, linked to the positive contribution of operating activities and enduring WC containment measures (chiefly receivables). Orsero's balance sheet structure and CF generation capabilities leave significant room for external growth through the acquisitions of some distributors of fruit & vegetables and/or companies specialised in new high-potential market segments, such as bio, berries and dried fruit.

Orsero, key financials and ratios

€ m	2019	2020	2021e	2022e	2023e
Sales	1,005.7	1,041.5	1,070.0	1,097.2	1,123.9
EBITDA adj	38.7	48.4	50.5	51.8	53.0
EBIT adj	13.0	22.4	24.6	26.3	27.8
Net profit	2.0	12.2	15.0	16.2	17.3
Net profit adj	5.3	15.1	15.9	17.0	18.1
NFP (cash)/debt	126.9	103.5	76.0	53.4	29.0
EPS adjusted FD	0.30	0.85	0.90	0.96	1.02
EPS adj. FD growth	-58.4%	185.0%	5.0%	7.4%	6.5%
DPS ord. €/s	0.08	0.20	0.25	0.27	0.29
Dividend yield	0.8%	2.0%	2.5%	2.7%	2.9%
Free Cash Flow Yield	-9.4%	15.1%	17.9%	15.5%	16.8%
PER x	23.9	6.9	11.0	10.2	9.6
EV/Sales x	0.25	0.20	0.23	0.21	0.18
EV/EBITDA x	6.6	4.3	5.0	4.4	3.8
EV/EBIT x	19.6	9.3	10.1	8.7	7.3



## The company in a nutshell

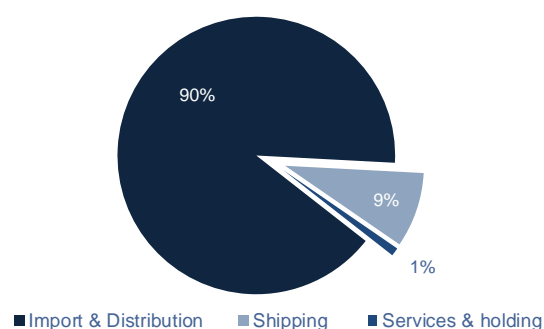
Orsero is an international group headquartered in Milan, operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution of fresh fruit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

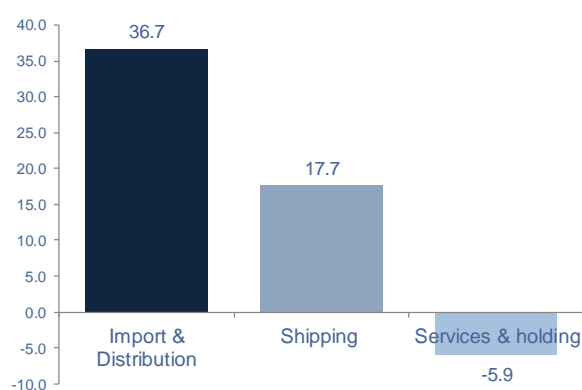
2020 Orsero highlights: revenues of € 1.042m, EBITDA adj. of € 48.4m (4.6% margin), adjusted net profit equal to € 15.1m and net financial position of € 103.5m (2.1x EBITDA adj.)

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.

## 2020 Gross Turnover...



## ...and EBITDA by business



## Shareholder structure

	%	# m
FIF Holding	32.5%	5.75
Grupo Fernandez	6.3%	1.12
Treasury Shares	0.9%	0.15
<b>Free Float</b>	<b>60.3%</b>	<b>10.67</b>
o/w Praude Asset Management	9.5%	1.69
Global Portfolio Investments	5.7%	1.01
First Capital	5.2%	0.92
<b>Total</b>	<b>100.0%</b>	<b>17.68</b>

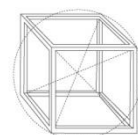
## Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Dole PLC	(0.4)	(4.2)	(5.8)	-	-	-
Fresh Del Monte Produce Inc	(1.2)	1.0	(4.5)	(11.9)	1.9	26.5
Greenyard NV	0.1	0.3	(0.9)	(9.2)	19.0	52.2
<b>Peers Median</b>	<b>(0.4)</b>	<b>0.3</b>	<b>(4.5)</b>	<b>(10.5)</b>	<b>10.4</b>	<b>39.3</b>
<b>Orsero Spa</b>	<b>(0.4)</b>	<b>5.1</b>	<b>3.6</b>	<b>4.9</b>	<b>43.0</b>	<b>57.2</b>
FTSE STAR Italia	0.9	(1.8)	3.3	10.0	27.5	39.1
EU Sector	(0.2)	(1.2)	(2.2)	(4.1)	8.4	6.2
Orsero Spa to peers	0.0	4.8	8.1	15.4	32.6	17.9
Orsero Spa to FTSE STAR Italia	(1.3)	6.9	0.3	(5.1)	15.5	18.1
Orsero Spa to EU Sector	(0.2)	6.4	5.8	9.0	34.6	51.0

## Peer group multiples table

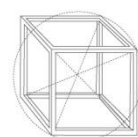
Price & EV multiples x	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Dole PLC	10.8	9.2	8.4	5.3	4.9	4.4	6.8	6.3	5.7
Fresh Del Monte Produce Inc	14.5	13.4	n.a.	7.4	7.1	n.a.	n.a.	n.a.	n.a.
Greenyard NV	20.8	15.3	12.9	4.7	4.3	3.4	5.7	5.1	4.4
<b>Median</b>	<b>14.5</b>	<b>13.4</b>	<b>10.6</b>	<b>5.3</b>	<b>4.9</b>	<b>3.9</b>	<b>6.2</b>	<b>5.7</b>	<b>5.1</b>
<b>Orsero Spa</b>	<b>11.0</b>	<b>10.2</b>	<b>9.6</b>	<b>4.2</b>	<b>4.1</b>	<b>4.0</b>	<b>5.0</b>	<b>4.4</b>	<b>3.8</b>
% (Discount)/Premium to peer median	-24.6%	-23.9%	-9.7%	-21.7%	-16.2%	2.4%	-20.4%	-22.7%	-24.3%

Source: CFO Sim, Thomson Reuters Eikon





Income statement (€ m)	2019	2020	2021e	2022e	2023e
Revenues	1,005.7	1,041.5	1,070.0	1,097.2	1,123.9
COGS	(927.9)	(953.7)	(976.5)	(1,001.3)	(1,025.7)
Gross Profit	77.8	87.8	93.5	95.9	98.2
SG&A	(69.4)	(69.0)	(69.9)	(70.7)	(71.4)
EBIT	8.4	18.8	23.5	25.2	26.7
Financials	(3.9)	(2.9)	(2.8)	(2.8)	(2.8)
Results from investments	1.0	0.8	0.8	0.8	0.8
Pre Tax Profit	5.5	16.7	21.5	23.2	24.8
Taxes	(3.2)	(4.4)	(6.5)	(7.0)	(7.4)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.2)	(0.1)	(0.1)	(0.1)	(0.1)
Net Profit	2.0	12.2	15.0	16.2	17.3
D&A and Provisions	(25.8)	(26.0)	(25.9)	(25.5)	(25.2)
Non recurring items	(4.6)	(3.7)	(1.1)	(1.1)	(1.1)
EBITDA adj.	38.7	48.4	50.5	51.8	53.0
EBIT adj.	13.0	22.4	24.6	26.3	27.8
Net Profit adj.	5.3	15.1	15.9	17.0	18.1
Balance sheet (€ m)	2019	2020	2021e	2022e	2023e
Net Working Capital	30.6	37.9	35.4	37.8	38.7
Net Fixed Assets	233.7	222.3	208.1	194.4	181.1
Equity Investments	8.1	6.2	6.3	6.4	6.6
Other M/L Term A/L	5.5	(2.7)	(2.2)	(1.8)	(1.4)
Net Invested Capital	277.8	263.7	247.6	236.9	224.9
Net Financial Debt/(cash)	126.9	103.5	76.0	53.4	29.0
Minorities	0.7	0.5	0.5	0.6	0.7
Group's Shareholders Equity	150.2	159.6	171.1	182.8	195.3
Financial Liabilities & Equity	277.8	263.7	247.6	236.9	224.9
Cash Flow statement (€ m)	2019	2020	2021e	2022e	2023e
Total net income	2.0	12.2	15.0	16.2	17.3
Depreciation	23.7	24.2	24.0	23.6	23.2
Other non-cash charges	(1.8)	8.2	(0.4)	(0.4)	(0.4)
Cash Flow from Oper. (CFO)	24.0	44.6	38.6	39.3	40.1
Change in NWC	1.9	(7.3)	2.5	(2.4)	(0.9)
FCF from Operations (FCFO)	25.9	37.2	41.1	36.9	39.2
Net Investments (CFI)	(42.1)	(11.0)	(10.0)	(10.0)	(10.0)
Free CF to the Firm (FCFF)	(16.3)	26.2	31.1	26.9	29.2
CF from financials (CFF)	(3.5)	(42.3)	(3.5)	(4.4)	(4.7)
Free Cash Flow to Equity (FCFE)	(19.7)	(16.1)	27.6	22.6	24.5
Financial ratios	2019	2020	2021e	2022e	2023e
EBITDA adj. margin	3.8%	4.6%	4.7%	4.7%	4.7%
EBIT margin	0.8%	1.8%	2.2%	2.3%	2.4%
Net profit margin	0.2%	1.2%	1.4%	1.5%	1.5%
Tax rate	58.6%	26.4%	30.0%	30.0%	30.0%
Op NWC/Sales	3.0%	3.6%	3.3%	3.4%	3.4%
Interest coverage x	0.46	0.15	0.12	0.11	0.11
Net Debt/EBITDA adj. x	3.28	2.14	1.50	1.03	0.55
Debt-to-Equity x	0.84	0.65	0.44	0.29	0.15
ROIC	0.7%	4.6%	6.1%	6.8%	7.7%
ROCE	3.7%	6.9%	7.4%	7.6%	7.8%
ROACE	4.1%	6.6%	7.5%	7.7%	7.9%
ROE	1.3%	7.7%	8.8%	8.8%	8.8%
Payout ratio	63.2%	28.7%	29.2%	29.3%	29.4%
Per share figures	2019	2020	2021e	2022e	2023e
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 €	0.11	0.69	0.85	0.91	0.98
EPS adjusted FD €	0.30	0.85	0.90	0.96	1.02
EBITDA €	2.19	2.74	2.86	2.93	3.00
EBIT €	0.47	1.06	1.33	1.42	1.51
FCFO €	1.46	2.10	2.32	2.09	2.22
FCFF €	(0.92)	1.48	1.76	1.52	1.65
FCFE €	(1.12)	(0.91)	1.56	1.28	1.38
Dividend €	0.08	0.20	0.25	0.27	0.29



## Q2-21 results

As expected, Orsero showed a more than satisfactory set of results in Q2-21 considering the extremely difficult comparison with Q2-20, a quarter characterised by strong panic buying driven by the spread of COVID-19 and the related lockdowns. However, looking at the interim numbers at a profitability level, the aforementioned effect is more than entirely counterbalanced by the good performance reported in Q1-21. The robust Cash Flow generation prompted the company to improve FY-21 NFP guidance.

**Table 1 – Orsero, Q2-21 result summary**

€ m	Q2-21	Q2-20	% YoY	H1-21	H1-20	% YoY
<b>Revenues</b>	<b>272.8</b>	<b>279.8</b>	<b>(2.5)</b>	<b>513.1</b>	<b>520.8</b>	<b>(1.5)</b>
COGS	(248.8)	(255.7)		(465.4)	(477.4)	
<b>Gross Profit</b>	<b>24.0</b>	<b>24.1</b>	<b>(0.6)</b>	<b>47.7</b>	<b>43.3</b>	<b>10.1</b>
% margin	8.8	8.6		9.3	8.3	
SG&A	(18.8)	(16.7)		(35.5)	(33.3)	
Other	(0.1)	(0.9)		(0.2)	(0.9)	
<b>EBIT</b>	<b>5.1</b>	<b>6.6</b>	<b>(21.8)</b>	<b>12.1</b>	<b>9.1</b>	<b>32.6</b>
% margin	1.9	2.4		2.3	1.7	
Financials	(1.0)	(0.8)		(1.7)	(1.3)	
Results from investments	0.2	0.5		0.3	0.5	
<b>Pre Tax Profit</b>	<b>4.3</b>	<b>6.3</b>	<b>(31.0)</b>	<b>10.7</b>	<b>8.3</b>	<b>27.9</b>
% margin	1.6	2.2		2.1	1.6	
Taxes	(0.9)	(1.9)		(2.5)	(2.1)	
Tax Rate	21.5%	29.5%		23.0%	25.5%	
Discontinued	0.0	0.0		0.0	0.0	
Minorities	(0.1)	0.0		(0.2)	(0.2)	
<b>Net Profit</b>	<b>3.3</b>	<b>4.5</b>	<b>(26.1)</b>	<b>8.0</b>	<b>6.0</b>	<b>33.1</b>
% margin	1.2	1.6		1.6	1.2	
D&A	(6.2)	(6.0)		(12.4)	(11.8)	
Provisions	(1.2)	(0.4)		(1.6)	(0.8)	
Top Management incentives	(0.1)	0.0		(0.1)	0.0	
Non recurring (expenses)/income	(0.1)	(1.1)		(0.4)	(1.8)	
<b>EBITDA adj.</b>	<b>12.8</b>	<b>14.0</b>	<b>(8.7)</b>	<b>26.6</b>	<b>23.5</b>	<b>13.1</b>
% margin	4.7	5.0		5.2	4.5	
<b>EBIT adj.</b>	<b>5.3</b>	<b>7.6</b>	<b>(30.3)</b>	<b>12.6</b>	<b>10.9</b>	<b>15.3</b>
% margin	1.9	2.7		2.5	2.1	
<b>Net Profit adj.</b>	<b>3.5</b>	<b>5.2</b>	<b>(31.9)</b>	<b>8.6</b>	<b>7.5</b>	<b>15.2</b>
% margin	1.3	1.9		1.7	1.4	

Source: Orsero

**Q2-21 revenues declined by 2.5% to € 272.8m:** the 7.0% growth in the Shipping BU was entirely offset by the decrease recorded by the Import & Distribution BU.

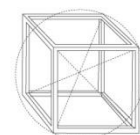
**Table 2 – Orsero, Q2-21 revenues breakdown**

€ m	Q2-21	Q2-20	% YoY	H1-21	H1-20	% YoY
<b>Revenues</b>	<b>272.8</b>	<b>279.8</b>	<b>(2.5)</b>	<b>513.1</b>	<b>520.8</b>	<b>(1.5)</b>
Import & Distribution	256.7	264.7	(3.0)	481.8	488.0	(1.3)
Shipping	25.7	24.0	7.0	49.7	52.7	(5.7)
Services	2.5	2.4	3.1	4.9	5.6	(12.6)
Intercompany	(12.1)	(11.3)	6.9	(23.3)	(25.6)	(8.7)

Source: Orsero

**The Import & Distribution** segment totalled revenues of € 256.7m, down by 3.0% YoY, showing declining volumes but an improving price/mix effect due to the implementation of a strategy aimed at revising the product portfolio by reducing the weight of commodities such as bananas and increasing products with higher added value, namely avocado, mango, table grapes, and kiwi.

**The Shipping segment** generated sales to the tune of € 25.7m, up 7.0% YoY as a result of higher volumes.



Adj. EBITDA declined by 8.7% to € 12.8m, margin of 4.7% vs. 5.0% in Q2-20 despite the decrease in consolidated top line results due to a better mix and the outstanding performance of the French and Mexican subsidiaries.

**Table 3 – Orsero, H1-21 EBITDA adj. breakdown**

€ m	Q2-21	Q2-20	% YoY	H1-21	H1-20	% YoY
<b>EBITDA adj</b>	<b>12.8</b>	<b>14.0</b>	<b>(8.7)</b>	<b>26.6</b>	<b>23.5</b>	<b>13.1</b>
Import & Distribution	8.9	11.8	(24.4)	18.6	16.3	14.2
Shipping	6.0	4.0	48.6	11.7	10.2	15.3
Services	(2.1)	(1.8)	15.9	(3.8)	(3.0)	26.4

Source: Orsero

**Import & Distribution adj. EBITDA was € 8.9m**, down from € 11.8m recorded in the same period of 2020. Margin declined by 100bps to 3.5%, primarily as a result of a drop in volumes despite the better mix.

**Shipping's adj. EBITDA was € 6.0m**, up 48.6% compared to € 4.0m of Q2-20, with a further improvement in EBITDA margin from 16.8% to 23.3%, thanks to 1) the strong load factor (above 95%) and 2) additional operational efficiencies stemming from the navigation schedule with 5 ships (4 owned and 1 chartered) implemented since 2019.

Adj. EBIT reached € 5.3m vs. € 7.6m recorded in Q2-20. Adj. Net Profit decreased from € 5.2m to € 3.5m as a consequence of the decline in EBITDA in the period. Net Profit totalled € 3.3m, down by € 1.2m compared to € 4.5m in Q2-20.

Non-recurring adjustments accounted for € 104k net of the tax effect and were related to the following one-off costs: 1) € 5k related to Covid-19 and 2) € 99k attributable to accrued top management long-term incentives (LTI).

**NFP diminished to € 91.4m** from € 103.3m recorded in Dec-20 as a net result of:

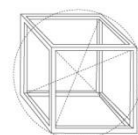
- 1) the € 10.5m capex (of which € 3.1m related to higher rights of use linked to the application of the IFRS 16),
- 2) € 3.5m dividend paid to shareholders, and
- 3) the remarkable € 21.8m operating cash flow generation, linked to the positive contribution of operating activities and enduring WC containment measures (chiefly receivables).

**Table 4 – Orsero, H1-21 Balance Sheet highlights**

€ m	H1-21	FY-20	% YoY
Capital Invested	<b>257.7</b>	<b>263.4</b>	<b>(2.2)</b>
Shareholders' Equity	166.3	160.1	
<b>Net Financial Position</b>	<b>91.4</b>	<b>103.3</b>	<b>(11.5)</b>
NFP/Shareholders' Equity	0.55	0.65	
NFP/EBITDA adj.	1.78	2.13	
<b>Net Financial Position ex. IFRS16</b>	<b>63.0</b>	<b>74.4</b>	<b>(15.3)</b>
NFP/Shareholders' Equity	0.38	0.46	
NFP/EBITDA adj.	1.44	1.84	

Source: Orsero

Last July 13, Orsero sold its warehouse in Milan, which hadn't been operational since Apr-20, for a total consideration of € 4.2m with **a capital gain of € 1.5m**.



## Estimates, valuation & risks

As expected, Orsero showed a more than satisfactory set of results in Q2-21 considering the extremely difficult comparison with Q2-20, a quarter characterised by strong panic buying driven by the spread of COVID19 and the related lockdowns. If we look at the interim numbers at a profitability level, this effect is more than entirely counterbalanced by the good performance reported in Q1-21. The robust Cash Flow generation prompted the company to improve NFP guidance for FY-21, confirming its economic targets. In greater details:

- **Net Sales: € 1,040m - € 1,060m** (unchanged), CFO SIM € 1,070m
- **Adj. EBITDA: € 49m - € 51m** (unchanged), CFO SIM € 50.5m
- **Net Profit: € 14m - € 16m** (unchanged), CFO SIM € 15.0m
- **Net Financial Position: € 75m - € 78m** (- € 6m on average), CFO SIM € 76.0m
- **Capex: € 9m - € 10m** (unchanged), CFO SIM € 10.0m

We have aligned our FY-21 NFP assumption with the revised company guidance, with no effect on EPS estimates.

**Table 5 – Orsero, 2021e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Turnover</b>	<b>1,070.0</b>	<b>1,070.0</b>	0.0	<b>0.0</b>
<b>EBITDA adj.</b>	<b>50.5</b>	<b>50.5</b>	0.0	<b>0.0</b>
% margin	4.7	4.7		
<b>EBIT adj.</b>	<b>24.6</b>	<b>24.6</b>	0.0	<b>0.0</b>
% margin	2.3	2.3		
<b>Net Profit adj.</b>	<b>15.9</b>	<b>15.9</b>	0.0	<b>0.0</b>
% margin	1.5	1.5		
<b>Y/E net debt (net cash)</b>	<b>76.0</b>	<b>80.4</b>	(5.5)	<b>(4.4)</b>

Source: CFO Sim

**Table 6 – Orsero, 2022e new/old estimates**

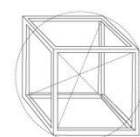
€ m	New	Old	% Diff.	€ m Diff.
<b>Turnover</b>	<b>1,097.2</b>	<b>1,097.2</b>	0.0	<b>0.0</b>
<b>EBITDA adj.</b>	<b>51.8</b>	<b>51.8</b>	0.0	<b>0.0</b>
% margin	4.7	4.7		
<b>EBIT adj.</b>	<b>26.3</b>	<b>26.3</b>	0.0	<b>0.0</b>
% margin	2.4	2.4		
<b>Net Profit adj.</b>	<b>17.0</b>	<b>17.0</b>	0.0	<b>0.0</b>
% margin	1.6	1.6		
<b>Y/E net debt (net cash)</b>	<b>53.4</b>	<b>57.9</b>	(7.8)	<b>(4.5)</b>

Source: CFO Sim

**Table 7 – Orsero, 2023e new/old estimates**

€ m	New	Old	% Diff.	€ m Diff.
<b>Turnover</b>	<b>1,123.9</b>	<b>1,123.9</b>	0.0	<b>0.0</b>
<b>EBITDA adj.</b>	<b>53.0</b>	<b>53.0</b>	0.0	<b>0.0</b>
% margin	4.7	4.7		
<b>EBIT adj.</b>	<b>27.8</b>	<b>27.8</b>	0.0	<b>0.0</b>
% margin	2.5	2.5		
<b>Net Profit adj.</b>	<b>18.1</b>	<b>18.1</b>	0.0	<b>0.0</b>
% margin	1.6	1.6		
<b>Y/E net debt (net cash)</b>	<b>29.0</b>	<b>33.6</b>	(13.8)	<b>(4.6)</b>

Source: CFO Sim



As a consequence of the updated valuation methodology assumptions and Cash Flow generation, we set a **new DCF-based PT of € 13.50** (€ 12.80), 37.2% upside.

Orsero represents a defensive, poised, long-term value player: **CFO Sim confirms the Buy rating on the stock.**

## DCF

In the valuation via the DCF method explicit estimates until 2025 and a long-term growth of 1.0% were used. Cash flows were discounted back at a weighted average cost of capital calculated according to the following parameters:

**Table 8 - Orsero, WACC derived from:**

Interest costs, pre-tax	2.5%
Tax rate	30.0%
<b>Int. costs, after taxes</b>	<b>1.8%</b>
Risk premium, incl. small size premium	10.0%
Risk-free (10Y Gov. Bond 200d moving average)	0.76%
Beta levered (x)	0.85
<b>Required ROE</b>	<b>9.3%</b>

Source: CFO Sim

**Risk premium at 10.0%** factors in the minute size of the company and basically all small capitalisation-related concerns and disquiet that an investor might have. **Beta at 0.85x** has been calculated taking into consideration the peer group's specific levered beta for each competitor, then deleveraging it by using each peer's precise D/E structure. It was finally re-calculated by assuming Orsero's debt to equity leverage ratio to be 30:70 and sustainable in the long run.

**Table 9 - Orsero, DCF model**

€ m	2021e	2022e	2023e	2024e	2025e	Term. Val.
EBIT	23.5	25.2	26.7	27.0	27.3	
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	
<b>Operating profit (NOPAT)</b>	<b>16.5</b>	<b>17.6</b>	<b>18.7</b>	<b>18.9</b>	<b>19.1</b>	
Change working capital	2.5	(2.4)	(0.9)	(0.5)	(0.2)	
Depreciation	24.0	23.6	23.2	16.6	10.0	
Investments	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	
<b>Free Cash Flows</b>	<b>33.0</b>	<b>28.8</b>	<b>31.0</b>	<b>25.0</b>	<b>18.9</b>	<b>312.4</b>
Present value	32.3	<b>26.4</b>	<b>26.5</b>	<b>19.9</b>	<b>14.1</b>	<b>232.6</b>
WACC	7.1%	7.1%	7.1%	7.1%	7.1%	
<b>Long-term growth rate</b>	<b>1.0%</b>					

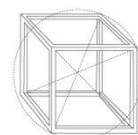
Source: CFO Sim

**Table 10 – Orsero, DCF equity value derived from:**

Total EV present value € m	351.8
<i>thereof terminal value</i>	66.1%
NFP last reported	(103.5)
Pension provision last reported	(9.9)
<b>Equity value € m</b>	<b>238.4</b>
#m shares	17.68
<b>Equity value €/s</b>	<b>13.50</b>
<i>% upside/(downside)</i>	37.2%

Source: CFO Sim

**The application of the model produces an equity value of € 238.4m, corresponding to € 13.50/share, 37.2% upside.**



The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between € 11.52–16.21/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 € 12.02-15.14/s (free risk range of between 1.56% and 0.00%) and 3) if compared to changes in the risk premium, including small size premiums, it results in an equity value of € 10.64-17.72/s (risk premium range of between 12.0% and 8.0%).

**Table 11 – 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	119.2	119.2	119.2	119.2	119.2	119.2	119.2	119.2	119.2
PV of terminal value	197.9	205.6	214.0	222.9	232.6	243.1	254.6	267.1	280.9
<b>Total value</b>	<b>317.1</b>	<b>324.8</b>	<b>333.1</b>	<b>342.1</b>	<b>351.8</b>	<b>362.3</b>	<b>373.8</b>	<b>386.3</b>	<b>400.1</b>
NFP last reported	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)
Pension provision last reported	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)
<b>Equity value</b>	<b>203.7</b>	<b>211.4</b>	<b>219.7</b>	<b>228.7</b>	<b>238.4</b>	<b>248.9</b>	<b>260.4</b>	<b>272.9</b>	<b>286.7</b>
<b>Equity value/share €</b>	<b>11.52</b>	<b>11.96</b>	<b>12.43</b>	<b>12.93</b>	<b>13.50</b>	<b>14.08</b>	<b>14.73</b>	<b>15.43</b>	<b>16.21</b>

Source: CFO Sim

**Table 12 – Orsero, equity value sensitivity to changes in free risk rate**

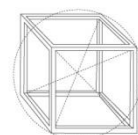
€ m	0.00%	0.16%	0.36%	0.56%	0.76%	0.96%	1.16%	1.36%	1.56%
Present value of CF	120.4	120.1	119.8	119.5	119.2	118.9	118.6	118.3	118.0
PV of terminal value	260.7	254.5	246.8	239.5	232.6	226.0	219.7	213.7	207.9
<b>Total value</b>	<b>381.1</b>	<b>374.6</b>	<b>366.6</b>	<b>359.0</b>	<b>351.8</b>	<b>344.9</b>	<b>338.3</b>	<b>331.9</b>	<b>325.9</b>
NFP last reported	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)
Pension provision last reported	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)
<b>Equity value</b>	<b>267.7</b>	<b>261.2</b>	<b>253.2</b>	<b>245.6</b>	<b>238.4</b>	<b>231.5</b>	<b>224.9</b>	<b>218.5</b>	<b>212.5</b>
<b>Equity value/share €</b>	<b>15.14</b>	<b>14.77</b>	<b>14.32</b>	<b>13.89</b>	<b>13.50</b>	<b>13.09</b>	<b>12.72</b>	<b>12.36</b>	<b>12.02</b>

Source: CFO Sim

**Table 13 – Orsero, equity value sensitivity to changes in risk premium**

€ m	8.00%	8.50%	9.00%	9.50%	10.00%	10.50%	11.00%	11.50%	12.00%
Present value of CF	121.9	121.2	120.5	119.8	119.2	118.5	117.9	117.3	116.6
PV of terminal value	304.9	283.6	264.6	247.8	232.6	218.9	206.5	195.2	184.9
<b>Total value</b>	<b>426.7</b>	<b>404.7</b>	<b>385.2</b>	<b>367.6</b>	<b>351.8</b>	<b>337.5</b>	<b>324.4</b>	<b>312.5</b>	<b>301.5</b>
NFP last reported	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)	(103.5)
Pension provision last reported	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)	(9.9)
<b>Equity value</b>	<b>313.3</b>	<b>291.3</b>	<b>271.8</b>	<b>254.2</b>	<b>238.4</b>	<b>224.1</b>	<b>211.0</b>	<b>199.1</b>	<b>188.1</b>
<b>Equity value/share €</b>	<b>17.72</b>	<b>16.48</b>	<b>15.37</b>	<b>14.38</b>	<b>13.50</b>	<b>12.67</b>	<b>11.93</b>	<b>11.26</b>	<b>10.64</b>

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 of **Dole**, **Fresh Del Monte Produce** and **Greenyard**. Sizes vary in terms of market capitalization and figures as well as profitability: 1) Dole has a market size of € 1.2bn, € 8.1bn revenues and a 4.0% EBITDA margin projected for 2021, 2) Fresh Del Monte shows a € 1.2bn market value and € 3.6bn sales with a 5.4% EBITDA margin expected for 2021; 3) Greenyard boasts a € 469m market value and € 4.6bn sales with a 3.2% EBITDA margin expected for 2021.

**Orsero is the smallest** on the list in terms of turnover and has **higher profitability** than the peer median.

**Orsero trades at a double-digit discount** vs. peers considering PCF and EV/EBITDA multiples in 2021-23. We believe this gap can be explained by the size difference only to a degree, but it somehow needs to be bridged 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 14 – Orsero, peer group summary table**

€ m	Mkt Cap	Sales FY1	EBITDA FY1	EBITDA %	Sales CAGR <sub>20-23</sub>	EBITDA CAGR <sub>20-23</sub>	EBIT CAGR <sub>20-23</sub>	EPS CAGR <sub>21-23</sub>	NFP FY1	NFP /EBITDA
Dole PLC	1,183	8,060	326	4.0%	3.1%	4.4%	9.1%	13.2%	1,025	3.1
Fresh Del Monte Produce Inc	1,226	3,661	199	5.4%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Greenyard NV	469	4,600	147	3.2%	3.4%	6.9%	16.8%	27.4%	360	2.5
<b>Median</b>	<b>1,183</b>	<b>4,600</b>	<b>199</b>	<b>4.0%</b>	<b>3.2%</b>	<b>5.6%</b>	<b>13.0%</b>	<b>20.3%</b>	<b>693</b>	<b>2.8</b>
<b>Orsero Spa</b>	<b>174</b>	<b>1,070</b>	<b>50</b>	<b>4.7%</b>	<b>2.6%</b>	<b>3.1%</b>	<b>7.5%</b>	<b>6.9%</b>	<b>76</b>	<b>1.5</b>

Source: Thomson Reuters Eikon, CFO Sim

**Table 15 – Orsero, peer group multiples table**

EV & Price multiples x	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3
Dole PLC	6.8	6.3	5.7	10.8	9.2	8.4	5.3	4.9	4.4
Fresh Del Monte Produce Inc	n.a.	n.a.	n.a.	14.5	13.4	n.a.	7.4	7.1	n.a.
Greenyard NV	5.7	5.1	4.4	20.8	15.3	12.9	4.7	4.3	3.4
<b>Median</b>	<b>6.2</b>	<b>5.7</b>	<b>5.1</b>	<b>14.5</b>	<b>13.4</b>	<b>10.6</b>	<b>5.3</b>	<b>4.9</b>	<b>3.9</b>
Orsero Spa	<b>5.0</b>	<b>4.4</b>	<b>3.8</b>	<b>11.0</b>	<b>10.2</b>	<b>9.6</b>	<b>4.2</b>	<b>4.1</b>	<b>4.0</b>
% (Discount)/Premium to peer median	-20.4%	-22.7%	-24.3%	-24.6%	-23.9%	-9.7%	-21.7%	-16.2%	2.4%

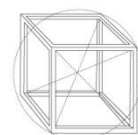
Source: Thomson Reuters Eikon, CFO Sim

**Table 16 – Orsero, equity value assessment**

x	EBITDA FY1	EBITDA FY2	EBITDA FY3	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3
<b>Median peers</b>	<b>6.2</b>	<b>5.7</b>	<b>5.1</b>	<b>14.5</b>	<b>13.4</b>	<b>10.6</b>	<b>5.3</b>	<b>4.9</b>	<b>3.9</b>
Orsero metrics	50.5	51.8	53.0	0.85	0.90	0.96	2.10	2.32	2.09
NFP	76.0	53.4	29.0						
% discount applied	20%								
<b>Orsero Equity Value</b>	<b>175.3</b>	<b>181.9</b>	<b>185.5</b>	<b>175.1</b>	<b>169.8</b>	<b>145.0</b>	<b>159.1</b>	<b>160.9</b>	<b>116.7</b>
<b>Orsero Equity Value €/s</b>	<b>9.90</b>	<b>10.30</b>	<b>10.50</b>	<b>9.90</b>	<b>9.60</b>	<b>8.20</b>	<b>9.00</b>	<b>9.10</b>	<b>6.60</b>
% upside/(downside)	0.6	4.7	6.7	0.6	(2.4)	(16.7)	(8.5)	(7.5)	(32.9)

Source: Thomson Reuters Eikon, CFO Sim

We confidently consider that the most suitable multiple to look at is EV/EBITDA. We are evaluating the stock based on 2021 results. After having applied a residual 20.0% discount factoring in the smaller size, the **2021 EV/EBITDA-derived equity value totals € 175.3m, corresponding to € 9.90/s**, in line with current market value.



## Stock performance

Glenalta Food was listed on AIM Italia (Alternative Investment Market) on 10<sup>th</sup> Nov 2015 at € 10.0/share, corresponding to a market capitalization of € 80.0m. Its target, Orsero, was listed on **AIM Italia** (Alternative Investment Market) **on 13-Feb-17** as a result of the merger between Glenalta Food and Orsero. **As of Dec-19 Orsero moved to the STAR segment** of Borsa Italiana dedicated to high requirement stocks. Orsero stock reached an intraday 1Y maximum level of € 10.35/s on 14<sup>th</sup> Sep 21 and a 1Y minimum price of € 5.32 on 29<sup>th</sup> Oct 2020. The stock overperformed the FTSE STAR Italia index, the EU Sector and its peers last week and last month.

**Table 17 - Orsero, peers group and indexes absolute performance**

%	1D	1W	1M	3M	6M	YTD	1Y
Dole PLC	(0.4)	(4.2)	(5.8)	-	-	-	-
Fresh Del Monte Produce Inc	(1.2)	1.0	(4.5)	(11.9)	1.9	26.5	28.5
Greenyard NV	0.1	0.3	(0.9)	(9.2)	19.0	52.2	78.4
<b>Peers Median</b>	<b>(0.4)</b>	<b>0.3</b>	<b>(4.5)</b>	<b>(10.5)</b>	<b>10.4</b>	<b>39.3</b>	<b>53.5</b>
<b>Orsero Spa</b>	<b>(0.4)</b>	<b>5.1</b>	<b>3.6</b>	<b>4.9</b>	<b>43.0</b>	<b>57.2</b>	<b>57.2</b>
FTSE STAR Italia	0.9	(1.8)	3.3	10.0	27.5	39.1	57.1
Thomson Reuters Food & Beverage EU	(0.2)	(1.2)	(2.2)	(4.1)	8.4	6.2	12.2

Source: Thomson Reuters Eikon

**Table 18 – Orsero, relative performances**

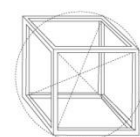
%	1D	1W	1M	3M	6M	YTD	1Y
Orsero Spa to peers	0.0	4.8	8.1	15.4	32.6	17.9	3.7
Orsero Spa to FTSE STAR Italia	(1.3)	6.9	0.3	(5.1)	15.5	18.1	0.1
Orsero Spa to EU Sector	(0.2)	6.4	5.8	9.0	34.6	51.0	45.0

Source: Thomson Reuters Eikon

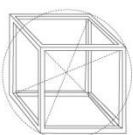
## Risks

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,
- long-term effects of COVID-19 spread,
- profit margin dilution stemming from the acquisition campaign,
- impact of sharp US\$ and bunker prices fluctuations



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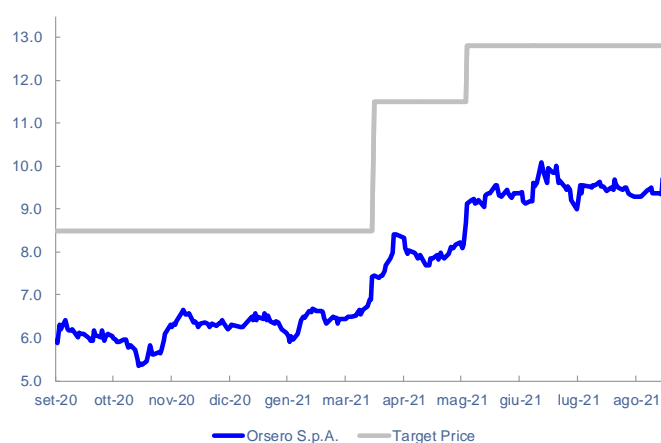
## ANALYST CERTIFICATION

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
15/09/2021	€13.50	BUY
15/05/2021	€12.80	BUY
19/03/2021	€11.50	BUY
26/02/2021	€8.50	BUY
02/02/2021	€8.50	BUY
16/11/2020	€8.50	BUY
16/09/2020	€8.50	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.

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