

Italy - Food

Weak FY-19 preliminary results and FY-20 guidance

13<sup>th</sup> February 2020

COMPANY UPDATE

RIC: ORSO.MI  
BBG: ORS IM

Preliminary FY-19 EBITDA came in weaker than anticipated as a result of a persisting operating issues at French subsidiary in H2-19. FY-2020 guidance are broadly in line with consensus and CFO SIM estimates.

Rating:

**Buy**

Price Target:

**€ U.R. (€ 8.40)**

Upside/(Downside): -

Last Price: € 6.78

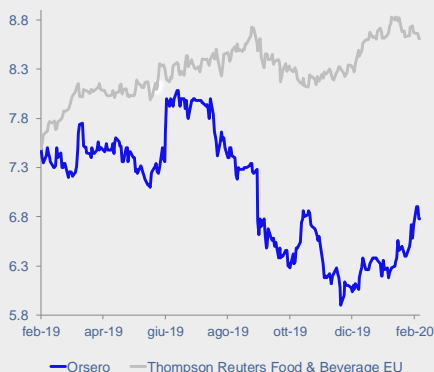
Market Cap.: € 119.9m

1Y High/Low: € 8.12/€ 5.88

Free Float: 58.0%

Major shareholders:

FIF Holding 32.0%  
Grupo Fernández 5.7%



Stock price performance

	1M	3M	12M
<b>Absolute</b>	8.7%	9.7%	-9.5%
<b>Rel.to Milan AIM</b>	7.8%	3.4%	-28.7%
<b>Rel.to EU Sector</b>	10.1%	5.6%	-25.4%

Analysts:

Luca Arena  
+39 02 30343 395  
luca.arena@cfosim.com

Gianluca Mozzali  
+39 02 30343 396  
gianluca.mozzali@cfosim.com

**FY-19 sales envisaged at € 1bn, EBITDA at € 29m and NFP at € 70m**

Orsero announced preliminary FY-19 results: the management guides revenues of some € 1.0bn, EBITDA to the tune of € 29m, 2.9% margin (€ 38m including IFRS16 effect) and NFP of € 70m (some € 125m including IFRS16 effect). Top line and NFP are bang-in-line with our assumptions. Profitability is weaker than CFO SIM estimates (13% lower vs. our € 33.2m EBITDA adj.) and consensus mainly as a result of persisting operational issues in the French subsidiary in H2-19. However, the company implemented in the course of the second part of 2019 a deep reorganisation in France, operationally and commercially, and is confident to return to their standard margins, with the effects visible already in 2020.

**FY-20 guidance broadly in line with consensus**

The Board of Directors highlighted also FY-20 guidance: sales are anticipated at some € 1,030-1,050m, EBITDA adj. at € 37.5-39.5m (€ 44.5-46.5m including IFRS16 effect) and NFP between € 70-75m (including IFRS16 effect € 100-105m). These indications are based on 1) Distribution organic growth coupled with the full consolidation of the two acquisitions finalised in 2019 (Fruttica and Fruttital Cagliari), 2) profitability recovery in the French market after 2019 disappointing results, 3) further improvement of the Shipping business (more favourable fuel consumption and higher loading factor) and 4) maintaining a solid balance sheet with NFP/EBITDA below 2.0x, excluding IFRS16 effect. These numbers do take into consideration the recent € 18m outlay real estate asset purchase (four logistic platform already in use), bringing in some € 1m positive effect on EBITDA stemming from the difference between previous annual rent and the property costs. Our estimates stand at the top of the range disclosed in terms of EBITDA and broadly in line at top line.

**Estimates and PT under review**

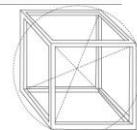
Following the release of preliminary 2019 results and 2020 guidance, we put our estimates under revision. Whilst first indications on 2019 numbers disappointed to a certain extent the market, namely regarding lower than anticipated profitability, 2020 outlook is moderately promising and entails a modest organic growth of the Distribution division coupled with the full consolidation of two acquisitions, margin recovery in France and a further improvement of the shipping division. The perception of a decrease of short-medium term visibility, coupled with consensus downgrade and related volatility highlighted in the H1-19 results release to a certain extent has further corroborated with this announcement of weaker than anticipated margins in 2019. Overall, we believe Orsero remains an interesting long term value player.

Orsero is set to unveil FY-19 results next 11-March.

**Orsero, key financials and ratios**

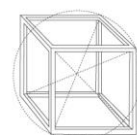
€ m	2017	2018	2019e	2020e	2021e
Sales	937.8	952.8	993.4	1,015.2	1,041.5
EBITDA adj	31.3	32.9	33.2	39.6	41.5
EBIT adj	16.0	17.5	15.8	22.3	24.5
Net profit	14.9	8.0	8.0	15.3	17.1
Net profit adj	18.8	12.7	10.4	15.3	17.1
NFP (cash)/debt	46.5	36.1	70.4	55.8	39.0
EPS adjusted FD	1.06	0.72	0.59	0.86	0.96
EPS adj. FD growth	-20.8%	-32.1%	-18.2%	46.5%	11.8%
DPS ord. €/s	0.12	0.12	0.12	0.12	0.12
Dividend yield	1.8%	1.8%	1.8%	1.8%	1.8%
Free Cash Flow Yield	-9.2%	10.0%	-26.9%	13.9%	15.7%
PER x *	6.4	9.4	11.6	7.9	7.1
EV/Sales x *	0.23	0.19	0.25	0.23	0.21
EV/EBITDA x *	7.0	5.4	6.0	4.9	4.4
EV/EBIT x *	13.7	10.1	15.2	10.2	8.7

\* As of 2019 multiples are calculated including the IFRS 16 effects on economics and NFP





Income statement (€ m)	2017	2018	2019e	2020e	2021e
Revenues	937.8	952.8	993.4	1,015.2	1,041.5
COGS	(859.2)	(874.8)	(912.2)	(923.9)	(947.2)
Gross Profit	78.6	78.0	81.2	91.3	94.2
SG&A	(67.3)	(66.6)	(68.4)	(68.9)	(69.7)
EBIT	11.3	11.4	12.8	22.3	24.5
Financials	(2.7)	(2.5)	(2.8)	(2.6)	(2.3)
Results from investments	11.0	2.4	0.9	0.9	0.9
Pre Tax Profit	19.6	11.2	10.9	20.7	23.1
Taxes	(4.5)	(3.2)	(2.8)	(5.4)	(6.0)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.2)	(0.0)	(0.0)	(0.0)	(0.0)
Net Profit	14.9	8.0	8.0	15.3	17.1
D&A and Provisions	(15.3)	(15.4)	(17.4)	(17.3)	(17.0)
Non recurring items	(4.8)	(6.1)	(3.0)	0.0	0.0
EBITDA adj. excl. IFRS 16	31.3	32.9	33.2	39.6	41.5
EBIT adj. excl. IFRS 16	16.0	17.5	15.8	22.3	24.5
Net Profit adj. excl. IFRS 16	18.8	12.7	10.4	15.3	17.1
EBITDA adj. incl. IFRS 16	-	-	42.2	48.6	50.5
EBIT adj. incl. IFRS 16	-	-	16.6	23.1	25.3
Net Profit adj. incl. IFRS 16	-	-	10.4	15.2	17.0
Balance sheet (€ m)	2017	2018	2019e	2020e	2021e
Net Working Capital	43.0	32.4	50.7	50.3	51.9
Net Fixed Assets	144.0	141.2	162.5	160.8	156.9
Equity Investments	8.0	8.9	9.1	9.3	9.5
Other M/L Term A/L	(2.7)	3.7	4.3	4.8	5.3
Net Invested Capital	192.2	186.3	226.6	225.2	223.5
Net Financial Debt/(cash)	46.5	36.1	70.4	55.8	39.0
Minorities	1.1	0.5	0.5	0.5	0.6
Group's Shareholders Equity	144.7	149.7	155.7	168.9	183.9
Financial Liabilities & Equity	192.2	186.3	226.6	225.2	223.5
Net Financial Debt/(cash) incl. IFRS 16	-	-	131.6	117.0	100.2
Cash Flow statement (€ m)	2017	2018	2019e	2020e	2021e
Total net income	14.9	8.0	8.0	15.3	17.1
Depreciation	12.8	13.7	15.7	15.5	15.2
Other non-cash charges	1.5	2.3	(0.6)	(0.5)	(0.5)
Cash Flow from Oper. (CFO)	29.1	23.9	23.1	30.3	31.8
Change in NWC	(15.6)	10.6	(18.3)	0.4	(1.5)
FCF from Operations (FCFO)	13.5	34.5	4.9	30.7	30.3
Net Investments (CFI)	(24.6)	(22.5)	(37.2)	(14.0)	(11.5)
Free CF to the Firm (FCFF)	(11.1)	12.0	(32.3)	16.7	18.8
CF from financials (CFF)	34.5	(15.6)	(2.0)	(2.0)	(2.0)
Free Cash Flow to Equity (FCFE)	23.4	(3.6)	(34.3)	14.7	16.7
Financial ratios	2017	2018	2019e	2020e	2021e
EBITDA adj. margin	3.3%	3.5%	3.3%	3.9%	4.0%
EBIT margin	1.2%	1.2%	1.3%	2.2%	2.4%
Net profit margin	1.6%	0.8%	0.8%	1.5%	1.6%
Tax rate	23.0%	28.8%	26.0%	26.0%	26.0%
Op NWC/Sales	4.6%	3.4%	5.1%	5.0%	5.0%
Interest coverage x	0.24	0.22	0.22	0.11	0.09
Net Debt/EBITDA adj. x	1.48	1.10	2.12	1.41	0.94
Debt-to-Equity x	0.32	0.24	0.45	0.33	0.21
ROIC	7.7%	4.3%	3.5%	6.8%	7.6%
ROCE	5.5%	6.3%	5.5%	7.5%	7.8%
ROACE	6.1%	6.2%	5.6%	7.6%	8.0%
ROE	10.3%	5.3%	5.2%	9.0%	9.3%
Payout ratio	13.7%	25.5%	25.3%	13.3%	11.9%
Per share figures	2017	2018	2019e	2020e	2021e
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 €	0.84	0.45	0.45	0.86	0.96
EPS adjusted FD €	1.06	0.72	0.59	0.86	0.96
EBITDA €	1.77	1.86	1.88	2.24	2.35
EBIT €	0.64	0.64	0.72	1.26	1.39
FCFO €	0.77	1.95	0.28	1.74	1.71
FCFF €	(0.63)	0.68	(1.83)	0.94	1.06
FCFE €	1.32	(0.20)	(1.94)	0.83	0.95
Dividend €	0.12	0.12	0.12	0.12	0.12



## The company in a nutshell

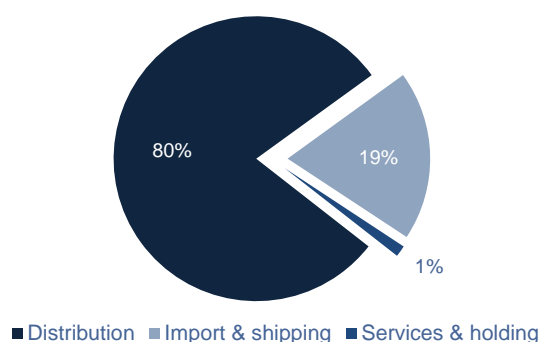
Orsero is an international group headquartered in Albenga (Savona), operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business structure entails besides import and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

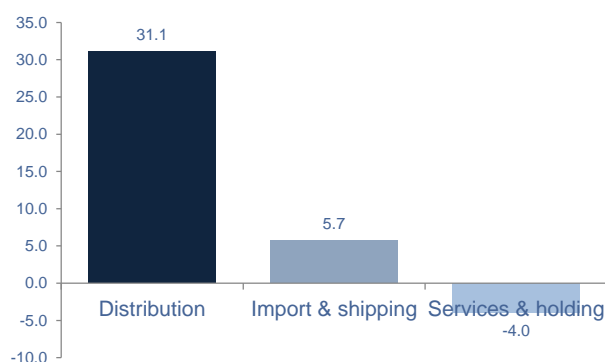
2018 Orsero highlights: € 952.8m revenues, EBITDA adj. of € 32.9m (3.4% margin), € 11.8m adjusted net profit and € 36.1m net financial position (1.10x EBITDA adj.).

Orsero was listed on the 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 last 23-Dec-19.

## 2018 Gross Turnover...



## ...and EBITDA by business



## Shareholder structure

	# m	%
FIF Holding	5.664	32.0%
Grupo Fernandez	1.000	5.7%
Treasury Shares	0.756	4.3%
<b>Free Float</b>	<b>10.262</b>	<b>58.0%</b>
o/w Praude Asset Management	1.515	8.6%
Global Portfolio Investments	0.997	5.6%
<b>Total</b>	<b>17.683</b>	<b>100.0%</b>

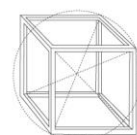
## Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Fresh Del Monte Produce Inc	1.4	6.3	0.6	8.7	30.7	(1.6)
Total Produce PLC	(1.2)	0.2	(6.7)	(8.4)	(3.7)	(8.4)
Greenyard NV	0.4	(1.8)	5.7	(16.8)	73.5	(1.5)
<b>Peers Median</b>	<b>0.4</b>	<b>0.2</b>	<b>0.6</b>	<b>(8.4)</b>	<b>30.7</b>	<b>(1.6)</b>
<b>Orsero Spa</b>	<b>(1.7)</b>	<b>0.9</b>	<b>8.7</b>	<b>9.7</b>	<b>(9.6)</b>	<b>6.3</b>
FTSE STAR Italia	0.7	1.9	0.9	6.3	23.0	2.5
EU Sector	(0.6)	(1.3)	(1.5)	4.1	2.7	(0.2)
Orsero Spa to peers	(2.2)	0.7	8.1	18.1	(40.3)	7.9
Orsero Spa to FTSE STAR Italia	(2.5)	(1.0)	7.8	3.4	(32.6)	3.8
Orsero Spa to EU Sector	(1.1)	2.2	10.1	5.6	(12.3)	6.5

## 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.	14.2	n.a.	n.a.	14.2	n.a.	n.a.	n.a.	n.a.
Total Produce PLC	9.9	8.9	8.3	7.6	7.2	6.8	8.2	7.9	7.5
Greenyard NV	nm	nm	21.7	4.4	2.9	2.8	7.2	5.8	5.4
<b>Median</b>	<b>9.9</b>	<b>11.6</b>	<b>15.0</b>	<b>6.0</b>	<b>7.2</b>	<b>4.8</b>	<b>7.7</b>	<b>6.8</b>	<b>6.4</b>
<b>Orsero Spa</b>	<b>11.6</b>	<b>7.9</b>	<b>7.1</b>	<b>3.3</b>	<b>2.9</b>	<b>2.8</b>	<b>6.0</b>	<b>4.9</b>	<b>4.4</b>
% (Discount)/Premium to peer median	17.0%	-31.7%	-52.9%	-44.5%	-59.1%	-40.8%	-22.2%	-28.8%	-32.2%

Source: CFO Sim, Thomson Reuters Eikon



## ANALYST CERTIFICATION

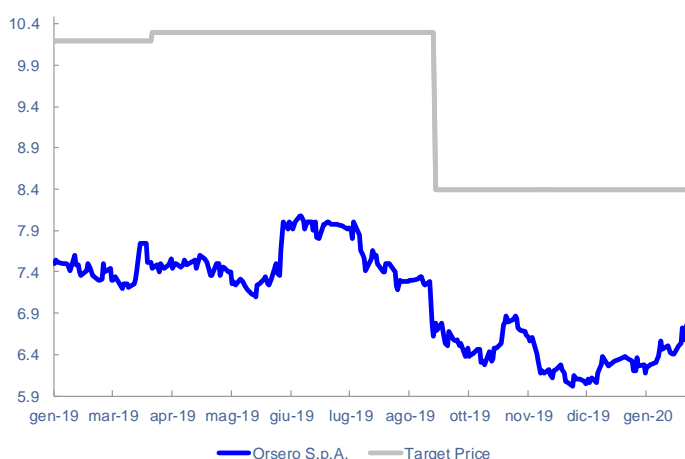
This publication was prepared by **LUCA ARENA**, Head of the Equity Research Department of "Corporate Family Office SIM S.p.A." ("CFO SIM") and **GIANLUCA MOZZALI**, Equity Analyst of CFO SIM. This is to certify that the views expressed on the companies mentioned in this document reflect the analysts'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

## DISCLAIMER

This document has been drafted by CFO SIM, authorised by the Bank of Italy to provide investment services. CFO SIM does not have a specific interest in either the issuer, the financial instruments or the transactions covered by the analysis.

The news and data used in this document come from information supplied to the public by the company concerned and/or from other documentation of public domain. CFO SIM is not liable for the accuracy, completeness, exactitude and impartiality of such news and data. This document has been drafted autonomously and independently and without the collaboration of the company analysed or of any company linked to the latter by shareholdings or control. This document has been prepared by the financial analysts of the Equity Research Department of CFO SIM, whose names are indicated therein. The analyst is an ordinary member of the Italian Association of Financial Analysts (AIAF). In no case can the company and the analysts, as authors of this document be held liable (culpably or otherwise) for damage stemming from use of the information or opinions set out therein. The purpose of this document is solely informative. The document cannot be reproduced directly or indirectly and redistributed to third parties, nor can it be published, either totally or in part, for any reason whatsoever. This document is not an invitation to purchase, nor is it intended to solicit the purchase or sale of the securities in question. The recipients of this document are formally bound to observe the constraints indicated above.

CFO SIM wishes to provide ongoing coverage of the stocks mentioned in this document, with a frequency depending on circumstances considered to be important (corporate events and changes of recommendation, etc.). CFO SIM acts as a Corporate Broker for Orsero stock, listed on the STAR Segment of Borsa Italiana. The next table shows the ratings issued on the stock in the last 12 months.



DATE	TARGET PRICE	RATING
13/02/2020	U.R.	BUY
12/09/2019	€8.40	BUY
29/03/2019	€10.30	BUY
01/10/2018	€10.20	BUY

This document is distributed via electronic mail and fax as from the date indicated in the document itself and addressed to some 300 Italian and non-Italian professional investors. The document is available in electronic format at CFO SIM's Internet site, to Italian and non-Italian institutional investors, and/or in Borsa Italiana's Internet site.

## 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.

