

Italy - Food

Solid top line and margin progression in Q1-20

15<sup>th</sup> May 2020

Q1-20 RESULTS RELEASE

RIC: ORSO.MI  
BBG: ORS IM

A good set of results characterised by a remarkable top line growth considering the industry and the current difficult consumption environment and a significant margin progression. FY-20 guidance confirmed.

Rating:

**Buy**

Price Target:

**€ 7.00**

Upside/(Downside): 48.9%

Last Price: € 4.70

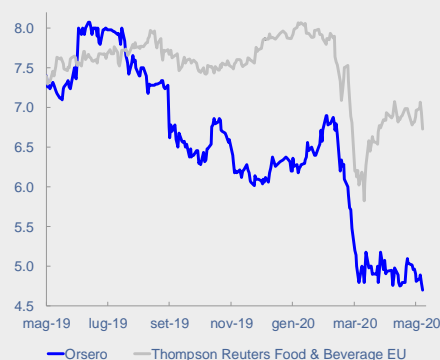
Market Cap.: € 83.1m

1Y High/Low: € 8.12/€ 4.30

Free Float: 58.0%

Major shareholders:

FIF Holding 32.0%  
Grupo Fernández 5.7%



Stock price performance

	1M	3M	12M
<b>Absolute</b>	-3.7%	-30.9%	-35.3%
<b>Rel.to Milan AIM</b>	-7.7%	-11.7%	-29.2%
<b>Rel.to EU Sector</b>	-1.3%	-17.2%	-26.2%

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Resilient and defensive value player

We confirm estimates/PT and reiterate the Buy rating on Orsero. The release of Q2/H1-20 results will be a good litmus test to extensively evaluate the business progression in respect to FY results. In our view, it is still too early to upgrade projections, CFO numbers stand lower than company guidance, because of possible further unpredictable shock that might impact the market. Although not particularly evocative of FY results, reported Q1-20 top line growth and profitability corroborate the investment case: amongst high-volatility and low-visibility turmoil, the industry in which the group operates offers continuous consumption and changes in the cost environment which are not really materially impacting the profitability. Orsero represents a poised long-term value player: PT offers 48.9% upside, Buy reiterated.

Top line up 7.9% and EBITDA adj. by 38.8%

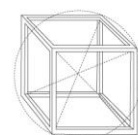
Revenues totalled € 240.9m, up 7.9% YoY from € 223.2m, driven by the Import & Distribution BU (in addition to the consolidation of a few acquisitions) due to the growth of the Italian, Spanish and French subsidiaries and to the positive contribution of the Shipping BU. Sales grew 5.8% organically. EBITDA adj. improved 38.8% to € 9.5m from € 6.8m last year. EBIT adj. was € 3.3m vs. € 1.1m in Q1-19. Net Profit adj. reached € 2.3m compared to a loss of € 1.1m last year as a result of the better operating performance. Net Financial Position was € 134.4m and compares to € 126.9m at Dec-19. The increase is a result of 1) the purchasing of a few real estate assets instrumental to the core business for € 17.8m more than offset by the excerpt of the related value of the right of use pursuant to IFRS 16 for € 27.5m, 2) investments for € 5.5m and 3) the cash absorption of approximately € 19m related to the WC seasonality partially offset by the operating cash generation.

Results by business unit highlight attractive performance in all the segments

The Import & Distribution segment reached net revenues of € 223.2m from € 208.0m in Q1-19, thanks to the positive performance in particular of the Italian, Spanish and French subsidiaries. Adjusted EBITDA was € 4.5m basically unchanged YoY from € 4.7m, with margin decline due to costs dynamics on some products, namely bananas (import) and the shortage of pineapple as well as of Avocado. The Shipping segment showed sales of € 28.7m, up by € 7.4m YoY thanks to the remarkable load factor at 94% and the increase of freight rates linked to the cost of fuel following the application of the IMO 2020 12 regulation. Adjusted EBITDA was € 6.1m up 88% YoY due to a more favourable cost scenario compared to 2017 and 2018, partially reported in FY-19 too. The Services segment totalled net revenues of € 3.3m and a negative Adjusted EBITDA of € 1.1m basically in line with Q1-19. The segment includes the activities referring to the parent company Orsero as well as the activities related to customs and IT services performed by some minor companies.

Orsero, key financials and ratios

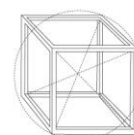
€ m	2018	2019	2020e	2021e	2022e
Sales	952.8	1,005.7	1,014.0	1,040.2	1,067.1
EBITDA adj	32.9	38.7	40.1	43.0	44.1
EBIT adj	17.5	13.0	14.4	18.5	20.8
Net profit	8.0	2.0	8.3	11.4	13.1
Net profit adj	12.7	5.3	8.3	11.4	13.1
NFP (cash)/debt	36.1	126.9	115.8	94.7	73.1
EPS adjusted FD	0.72	0.30	0.47	0.64	0.74
EPS adj. FD growth	-32.1%	-58.4%	56.8%	36.6%	15.0%
DPS ord. €/s	0.12	0.08	0.12	0.13	0.14
Dividend yield	2.6%	1.6%	2.6%	2.8%	3.0%
Free Cash Flow Yield	14.4%	-19.6%	15.0%	27.8%	28.7%
PER x *	6.5	23.9	10.0	7.3	6.4
EV/Sales x *	0.19	0.25	0.20	0.17	0.15
EV/EBITDA x *	5.4	6.6	5.0	4.1	3.5
EV/EBIT x *	10.1	19.6	13.8	9.6	7.5





Income statement (€ m)	2018	2019*	2020e	2021e	2022e
Revenues	952.8	1,005.7	1,014.0	1,040.2	1,067.1
COGS	(874.8)	(927.9)	(931.3)	(952.7)	(976.5)
Gross Profit	78.0	77.8	82.6	87.5	90.5
SG&A	(66.6)	(69.4)	(68.2)	(69.0)	(69.8)
EBIT	11.4	8.4	14.4	18.5	20.8
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	11.4	15.5	17.8
Taxes	(3.2)	(3.2)	(3.0)	(4.0)	(4.6)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.0)	(0.2)	(0.1)	(0.1)	(0.2)
Net Profit	8.0	2.0	8.3	11.4	13.1
D&A and Provisions	(15.4)	(25.8)	(25.7)	(24.5)	(23.3)
Non recurring items	(6.1)	(4.6)	0.0	0.0	0.0
EBITDA adj.	32.9	38.7	40.1	43.0	44.1
EBIT adj.	17.5	13.0	14.4	18.5	20.8
Net Profit adj.	12.7	5.3	8.3	11.4	13.1
Balance sheet (€ m)	2018	2019*	2020e	2021e	2022e
Net Working Capital	32.4	30.6	19.3	20.0	20.5
Net Fixed Assets	141.2	233.7	240.2	226.9	214.9
Equity Investments	8.9	8.1	8.3	8.4	8.6
Other M/L Term A/L	3.7	5.5	6.0	6.6	7.2
Net Invested Capital	186.3	277.8	273.7	262.0	251.2
Net Financial Debt/(cash)	36.1	126.9	115.8	94.7	73.1
Minorities	0.5	0.7	0.9	1.0	1.2
Group's Shareholders Equity	149.7	150.2	157.1	166.3	177.0
Financial Liabilities & Equity	186.3	277.8	273.7	262.0	251.2
Cash Flow statement (€ m)	2018	2019*	2020e	2021e	2022e
Total net income	8.0	2.0	8.3	11.4	13.1
Depreciation	13.7	23.7	24.4	23.1	21.9
Other non-cash charges	2.3	(1.8)	(0.5)	(0.6)	(0.6)
Cash Flow from Oper. (CFO)	23.9	24.0	32.2	33.8	34.4
Change in NWC	10.6	1.9	11.3	(0.7)	(0.5)
FCF from Operations (FCFO)	34.5	25.9	43.4	33.1	33.9
Net Investments (CFI)	(22.5)	(42.1)	(31.0)	(10.0)	(10.0)
Free CF to the Firm (FCFF)	12.0	(16.3)	12.4	23.1	23.9
CF from financials (CFF)	(15.5)	(3.5)	13.7	(2.0)	(2.2)
Free Cash Flow to Equity (FCFE)	(3.6)	(19.7)	26.1	21.1	21.7
Financial ratios	2018	2019*	2020e	2021e	2022e
EBITDA adj. margin	3.5%	3.8%	4.0%	4.1%	4.1%
EBIT margin	1.2%	0.8%	1.4%	1.8%	1.9%
Net profit margin	0.8%	0.2%	0.8%	1.1%	1.2%
Tax rate	28.8%	58.6%	26.0%	26.0%	26.0%
Op NWC/Sales	3.4%	3.0%	1.9%	1.9%	1.9%
Interest coverage x	0.22	0.46	0.27	0.21	0.19
Net Debt/EBITDA adj. x	1.10	3.28	2.89	2.20	1.66
Debt-to-Equity x	0.24	0.84	0.74	0.57	0.41
ROIC	4.3%	0.7%	3.0%	4.3%	5.2%
ROCE	6.3%	3.7%	3.8%	4.8%	5.3%
ROACE	6.2%	4.1%	4.0%	4.9%	5.3%
ROE	5.3%	1.3%	5.3%	6.8%	7.4%
Payout ratio	25.5%	63.2%	24.4%	19.4%	18.1%
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	0.47	0.64	0.74
EPS adjusted FD €	0.72	0.30	0.47	0.64	0.74
EBITDA €	1.86	2.19	2.27	2.43	2.49
EBIT €	0.64	0.47	0.81	1.05	1.17
FCFO €	1.95	1.46	2.46	1.87	1.92
FCFF €	0.68	(0.92)	0.70	1.31	1.35
FCFE €	(0.20)	(1.12)	1.48	1.19	1.23
Dividend €	0.12	0.08	0.12	0.13	0.14

\*as of 2019 figures include IFRS 16 effect



## The company in a nutshell

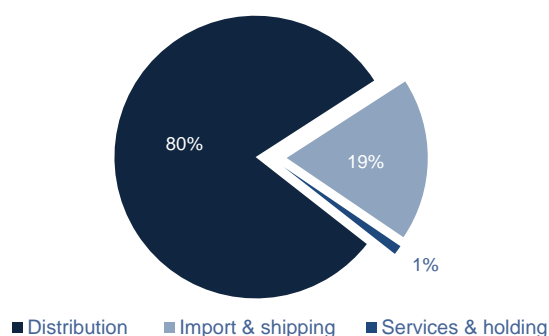
Orsero is an international group headquartered in Albenga (Savona), operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business structure entails besides import and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

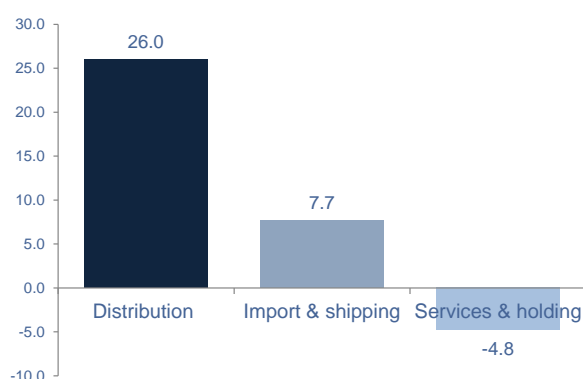
2019 Orsero highlights: € 1.0bn revenues, EBITDA adj. of € 28.9m (2.9% margin), € 5.3m adjusted net profit and € 66.9m net financial position (2.31x EBITDA adj.). Including IFRS 16 effect EBITDA adj. was € 38.7m and net financial position stood at € 126.9m

Orsero was listed on 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.

## 2019 Gross Turnover...



## ...and EBITDA by business



## Shareholder structure

	# m	%
FIF Holding	5.66	32.0%
Grupo Fernandez	1.00	5.7%
Treasury Shares	0.76	4.3%
<b>Free Float</b>	<b>10.26</b>	<b>58.0%</b>
o/w Praude Asset Management	1.52	8.6%
Global Portfolio Investments	1.00	5.6%
<b>Total</b>	<b>17.68</b>	<b>100.0%</b>

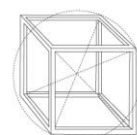
## Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Fresh Del Monte Produce Inc	2.1	(9.2)	(29.7)	(35.7)	(30.4)	(37.1)
Total Produce PLC	(0.6)	(0.6)	16.5	(18.9)	(26.3)	(26.3)
Greenyard NV	1.4	0.4	28.1	9.7	(4.1)	8.3
<b>Peers Median</b>	<b>1.4</b>	<b>(0.6)</b>	<b>16.5</b>	<b>(18.9)</b>	<b>(26.3)</b>	<b>(26.3)</b>
<b>Orsero Spa</b>	<b>(1.9)</b>	<b>(4.3)</b>	<b>(3.7)</b>	<b>(30.9)</b>	<b>(24.2)</b>	<b>(26.3)</b>
FTSE STAR Italia	(1.4)	(1.0)	4.0	(19.2)	(13.5)	(17.0)
EU Sector	(3.0)	(2.2)	(2.4)	(13.7)	(10.7)	(14.6)
Orsero Spa to peers	(3.3)	(3.7)	(20.2)	(12.0)	2.1	(0.0)
Orsero Spa to FTSE STAR Italia	(0.5)	(3.3)	(7.7)	(11.7)	(10.7)	(9.3)
Orsero Spa to EU Sector	1.1	(2.0)	(1.3)	(17.2)	(13.5)	(11.7)

## 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	16.6	12.2	n.a.	7.0	5.1	n.a.	7.6	6.4	n.a.
Total Produce PLC	7.5	6.8	7.5	6.7	5.9	8.1	8.0	7.2	6.9
Greenyard NV	n.m.	n.m.	22.2	3.5	2.9	2.7	6.7	5.5	5.0
<b>Median</b>	<b>12.0</b>	<b>9.5</b>	<b>14.9</b>	<b>6.7</b>	<b>5.1</b>	<b>5.4</b>	<b>7.6</b>	<b>6.4</b>	<b>6.0</b>
<b>Orsero Spa</b>	<b>10.0</b>	<b>7.3</b>	<b>6.4</b>	<b>2.4</b>	<b>2.3</b>	<b>2.3</b>	<b>5.0</b>	<b>4.1</b>	<b>3.5</b>
% (Discount)/Premium to peer median	-16.9%	-23.0%	-57.2%	-63.6%	-54.9%	-57.7%	-35.1%	-35.3%	-40.6%

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
15/05/2020	€7.00	BUY
18/03/2020	€7.00	BUY
13/02/2020	U.R.	BUY
12/09/2019	€8.40	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.

