

Italy - Food

Strong Q1-21 margins prompt upgrade in FY guidance

14<sup>th</sup> May 2021

Q1-21 RESULTS RELEASE

RIC: ORSO.MI  
BBG: ORS IM

Orsero recorded a remarkable set of results in terms of profitability, driven by a better mix and the complete recovery of the French subsidiary. FY-21 company targets were upgraded. Significant cash flow generation led to a decrease in NFP in a quarter where WC absorbs cash due to the typical business seasonality.

Rating:

**Buy**

Price Target:

**€ 12.80 (€ 11.50)**

Upside/(Downside): 47.5%

Last Price: € 8.68

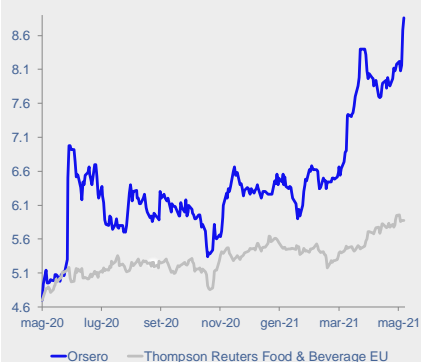
Market Cap.: € 153.5m

1Y High/Low: € 8.70/€ 4.65

Free Float: 60.3%

Major shareholders:

FIF Holding 32.5%  
Grupo Fernández 6.3%



Stock price performance

	1M	3M	12M
Absolute	10.2%	30.7%	81.2%
Rel.to FTSE STAR	11.1%	26.6%	28.5%
Rel.to EU Sector	7.5%	23.1%	59.9%

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**Q1-21 strong profitability leads us to upgrade estimates and PT: Buy rating reiterated**

Orsero recorded a remarkable set of results in terms of profitability, driven by a better mix and the complete recovery of the French subsidiary. On the back of the notable operating performance achieved in Q1-21, which even exceeded company expectations, Orsero decided to lift its FY-21 targets, released at the beginning of February and confirmed as FY-20 results were published. The new upgraded company guidance for 2021 foresees another growing profitable year in a difficult environment. We have slightly updated our model factoring in the significant performance recorded in Q1-21. The results show an average upgrade of 2.8% and 6.2% in EBITDA and Net Profit adj. for 2021-23, respectively. Our new 2021 estimates are positioned at the high-end of the company guidance range. As a consequence of the upgraded estimates and the updated valuation methodology assumptions, we set a new DCF-based PT at € 12.80 (€ 11.50), 47.5% upside.

**Top line basically unchanged...**

Q1-21 revenues remained basically unchanged YoY at € 240.3m: the moderate growth in the Import & Distribution BU was entirely offset by the decrease in the Shipping BU. The Import & Distribution segment totalled revenues of € 225.0m, +0.8% YoY, showing stable volumes but an improving price/mix effect. This was due to the implementation of a strategy aimed at revising the product portfolio by reducing the weight of products such as bananas and increasing that of products with higher added value, namely avocados, mangoes, table grapes, kiwis. The Shipping segment generated sales to the tune of € 24.0m, down 16.3% YoY as a result of 1) the lower price of bunker fuel which negatively affected the freight rate (BAF clause) and 2) a stronger €/€ exchange rate.

**...EBITDA rose by 45%, EBITDA margin at 5.7%, +180bps YoY**

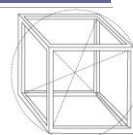
Adj. EBITDA grew 45.3% at € 13.8m as a result of a better mix and the outstanding performance of the French subsidiary, which returned to original profitability. EBITDA margin was 5.7%, up 180bps compared to Q1-20. Import & Distribution EBITDA adj., which was € 9.7m, more than doubled compared to € 4.5m in Q1-20. Margin grew from 2.0% to 4.3%, primarily as a result of the better mix and the excellent performance of the companies in France. Shipping EBITDA adj. totalled € 5.7m, down 6.6% compared to € 6.1m of Q1-20, with a further improvement in EBITDA % from 21.3% to 23.8%, thanks to 1) the load factor at 95% (94% in Q1-20) and 2) additional operational efficiency stemming from the navigation schedule with 5 ships (4 owned/1 chartered) implemented since 2019.

**Strong cash flow generation allowed a NFP decrease**

As a consequence of higher EBITDA, adj. EBIT reached € 7.3m, more than doubling compared to € 3.3m recorded in Q1-20. The adj. Net Profit increased from € 2.3m to € 5.1m as a consequence of the increase in EBITDA in the period. Net Profit totalled € 4.8m, up by € 3.0m compared to € 1.8m in Q1-20. Non-recurring adjustments accounted for € 0.3m net of the tax effect and are related to one-off costs stemming from: 1) € 60k related to Covid-19 and 2) a € 208k provision related to employee profit sharing plans in France and Mexico. NFP was € 100.3m from € 103.3m in Dec-20, and € 134.4m in Q1-20. The decrease is a net effect of: 1) the € 4.3m capex (o/w € 1.3m related to higher rights of use pursuant to IFRS 16); 2) the remarkable € 4.6m operating cash flow generation, linked to the positive contribution of operating activities, only partially mitigated by a seasonal increase in WC.

**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	80.4	57.9	33.6
EPS adjusted FD	0.30	0.85	0.90	0.96	1.02
EPS adj. FD growth	-58.4%	185.0%	4.9%	7.4%	6.5%
DPS ord. €/s	0.08	0.20	0.25	0.27	0.29
Dividend yield	0.9%	2.3%	2.9%	3.1%	3.3%
Free Cash Flow Yield	-10.6%	17.1%	17.4%	17.5%	18.9%
PER x	23.9	6.9	9.7	9.0	8.5
EV/Sales x	0.25	0.20	0.22	0.19	0.17
EV/EBITDA x	6.6	4.3	4.6	4.1	3.5
EV/EBIT x	19.6	9.3	9.5	8.0	6.7



## The company in a nutshell

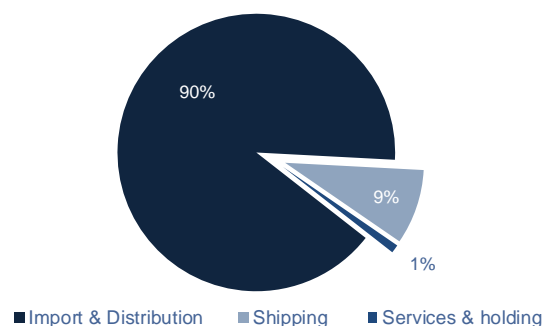
Orsero is an international group headquartered in Albenga (Savona), operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution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

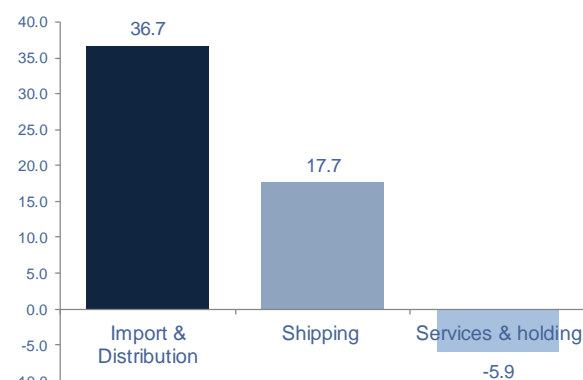
2020 Orsero highlights: revenues of € 1.042m, EBITDA adj. of € 48.4m (4.6% margin), adjusted net profit equal to € 15.1m and net financial position of € 103.5m (2.1x EBITDA adj.)

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	5.1%	0.90
<b>Total</b>	<b>100.0%</b>	<b>17.68</b>

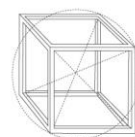
## Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Fresh Del Monte Prod. Inc	6.5	2.3	22.1	32.6	56.6	47.0
Total Produce PLC	0.4	7.7	11.0	54.7	88.6	69.1
Greenyard NV	(0.5)	0.1	5.5	29.2	61.5	45.0
<b>Peers Median</b>	<b>0.4</b>	<b>2.3</b>	<b>11.0</b>	<b>32.6</b>	<b>61.5</b>	<b>47.0</b>
<b>Orsero Spa</b>	<b>6.4</b>	<b>7.2</b>	<b>10.2</b>	<b>30.7</b>	<b>46.6</b>	<b>38.7</b>
FTSE STAR Italia	0.3	(1.0)	(0.9)	4.1	23.2	12.6
EU Sector	0.0	(0.1)	2.7	7.6	8.9	5.6
Orsero to peers	5.9	4.8	(0.9)	(1.9)	(14.8)	(8.3)
Orsero to FTSE STAR Italia	6.1	8.2	11.1	26.6	23.4	26.0
Orsero to EU Sector	6.4	7.3	7.5	23.1	37.7	33.1

## Peer group multiples table

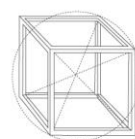
Price & EV multiples x	PER FY1	PER FY2	PER FY3	PCF FY1	PCF FY2	PCF FY3	EBITDA FY1	EBITDA FY2	EBITDA FY3
Fresh Del Monte Produce Inc	22.3	17.7	n.a.	9.7	8.7	n.a.	n.a.	n.a.	n.a.
Total Produce PLC	14.8	14.1	n.a.	11.8	10.6	n.a.	11.8	10.7	n.a.
Greenyard NV	44.6	22.9	16.3	5.7	5.0	4.0	7.4	6.6	5.6
<b>Median</b>	<b>22.3</b>	<b>17.7</b>	<b>16.3</b>	<b>9.7</b>	<b>8.7</b>	<b>4.0</b>	<b>9.6</b>	<b>8.6</b>	<b>5.6</b>
<b>Orsero Spa</b>	<b>9.7</b>	<b>9.0</b>	<b>8.5</b>	<b>3.7</b>	<b>3.6</b>	<b>3.5</b>	<b>4.6</b>	<b>4.1</b>	<b>3.5</b>
% (Discount)/Premium to peer median	-56.6%	-49.0%	-48.1%	-62.2%	-58.7%	-11.8%	-51.6%	-52.7%	-37.2%

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	39.8	42.3	43.3
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	252.0	241.4	229.6
Net Financial Debt/(cash)	126.9	103.5	80.4	57.9	33.6
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	252.0	241.4	229.6
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)	(1.9)	(2.5)	(1.0)
FCF from Operations (FCFO)	25.9	37.2	36.7	36.8	39.1
Net Investments (CFI)	(42.1)	(11.0)	(10.0)	(10.0)	(10.0)
Free CF to the Firm (FCFF)	(16.3)	26.2	26.7	26.8	29.1
CF from financials (CFF)	(3.5)	(42.3)	(3.5)	(4.4)	(4.7)
Free Cash Flow to Equity (FCFE)	(19.7)	(16.1)	23.2	22.4	24.3
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%	3.7%	3.9%	3.9%
Interest coverage x	0.46	0.15	0.12	0.11	0.11
Net Debt/EBITDA adj. x	3.28	2.14	1.59	1.12	0.63
Debt-to-Equity x	0.84	0.65	0.47	0.32	0.17
ROIC	0.7%	4.6%	6.0%	6.7%	7.5%
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	2.07	2.08	2.21
FCFF €	(0.92)	1.48	1.51	1.52	1.64
FCFE €	(1.12)	(0.91)	1.31	1.27	1.38
Dividend €	0.08	0.20	0.25	0.27	0.29



## Q1-21 results

Orsero recorded a remarkable set of results in terms of profitability, driven by a better mix and the complete recovery of the French subsidiary. FY-21 guidance was upgraded.

**Table 1 – Orsero, Q1-21 result summary**

€ m	Q1-21	Q1-20	% YoY
<b>Revenues</b>	<b>240.3</b>	<b>240.9</b>	<b>(0.3)</b>
COGS	(216.6)	(221.8)	
<b>Gross Profit</b>	<b>23.7</b>	<b>19.2</b>	<b>23.6</b>
% margin	9.9	8.0	
SG&A	(16.7)	(16.6)	
Other	(0.1)	(0.0)	
<b>EBIT</b>	<b>6.9</b>	<b>2.5</b>	<b>174.9</b>
% margin	2.9	1.0	
Financials	(0.7)	(0.5)	
Results from investments	0.2	0.0	
<b>Pre Tax Profit</b>	<b>6.3</b>	<b>2.0</b>	<b>209.9</b>
% margin	2.6	0.8	
Taxes	(1.5)	(0.3)	
Tax Rate	24.0%	13.1%	
Discontinued	0.0	0.0	
Minorities	(0.1)	(0.2)	
<b>Net Profit</b>	<b>4.7</b>	<b>1.5</b>	<b>204.9</b>
% margin	2.0	0.6	
D&A	(6.1)	(5.8)	
Provisions	(0.4)	(0.4)	
Top Management incentives	0.0	0.0	
Non recurring (expenses)/income	(0.4)	(0.8)	
<b>EBITDA adj.</b>	<b>13.8</b>	<b>9.49</b>	<b>45.3</b>
% margin	5.7	3.9	
<b>EBIT adj.</b>	<b>7.3</b>	<b>3.3</b>	<b>121.2</b>
% margin	3.0	1.4	
<b>Net Profit adj.</b>	<b>5.1</b>	<b>2.3</b>	<b>121.7</b>
% margin	2.1	1.0	

Source: Orsero

**Q1-21 revenues remained basically unchanged** YoY at € 240.3m: the moderate growth in the Import & Distribution BU was entirely offset by the reduction of the Shipping BU.

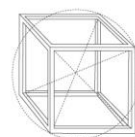
**Table 2 – Orsero, Q1-21 revenues breakdown**

€ m	2020	2019	% YoY
Import & Distribution	225.0	223.2	0.8
Shipping	24.0	28.7	(16.3)
Services	2.5	3.3	(24.0)
Intercompany	(11.3)	(14.3)	(21.1)
<b>Revenues</b>	<b>240.3</b>	<b>240.9</b>	<b>(0.3)</b>

Source: Orsero

**The Import & Distribution** segment totalled revenues of € 225.0m, +0.8% YoY, showing stable 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 products such as bananas, and increasing those with higher added value, namely avocados, mangoes, table grapes, kiwis.

**The Shipping segment** generated sales to the tune of € 24.0m, down 16.3% YoY as a result of 1) the lower price of bunker fuel which negatively affected the freight rate (BAF clause) and 2) a stronger €/€ exchange rate, with a negative conversion effect on shipping sales denominated in \$.



Adj. EBITDA grew 45.3% at € 13.8m as a result of a better mix and the outstanding performance of the French subsidiary, returned to original profitability. EBITDA margin was 5.7%, up 180bps compared to Q1-20.

**Table 3 – Orsero, Q1-21 EBITDA adj. breakdown**

€ m	2020	2019	% YoY
Import & Distribution	9.7	4.5	115.8
Shipping	5.7	6.1	(6.6)
Services	(1.6)	(1.1)	43.5
<b>EBITDA adj</b>	<b>13.8</b>	<b>9.5</b>	<b>45.3</b>

Source: Orsero

**Import & Distribution EBITDA adj., which reached € 9.7m**, more than doubled compared to € 4.5m in the same period of 2020. Margin grew from 2.0% to 4.3%, primarily as a result of the better mix and the excellent performance of the companies in France.

**Shipping EBITDA adj. totalled € 5.7m**, down 6.6% compared to € 6.1m of Q1-20, with a further improvement in EBITDA % from 21.3% to 23.8%, thanks to 1) **the load factor at 95%** (94% in Q1-20) and 2) additional **operational efficiency stemming from the navigation schedule with 5 ships** (4 owned and 1 chartered) implemented since 2019

It is worth noticing that EBITDA adj. excluding IFRS 16 totalled € 11.9m, up 62.0% from € 7.3m in the same period of last year, margin of 5.0%, up 200bps YoY.

As a consequence of higher EBITDA, **adj. EBIT reached € 7.3m, more than doubling compared to € 3.3m recorded in Q1-20**. The **adj. Net Profit increased from € 2.3m to € 5.1m** as a consequence of the increase in EBITDA in the period. Net Profit totalled € 4.8m, up by € 3.0m compared to € 1.8m in Q1-20.

Non-recurring adjustments accounted for € 0.3m net of the tax effect and are related to one-off costs stemming from: 1) € 60k related to Covid-19 and 2) a € 208k provision related to employee profit sharing plans in France and Mexico.

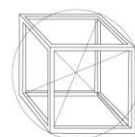
**NFP was € 100.3m from € 103.3m in Dec-20**, and € 134.4m in Q1-20. The decrease of € 3m, is a net effect of:

- 1) the € 4.3m capex (of which € 1.3m related to higher rights of use pursuant to IFRS 16);
- 2) the remarkable € 4.6m operating cash flow generation, linked to the positive contribution of operating activities, only partially mitigated by a seasonal increase in WC.

**Table 4 – Orsero, Q1-21 Balance Sheet highlights**

€ m	2020	2019	% YoY
Capital Invested	<b>266.7</b>	<b>263.4</b>	<b>1.3</b>
Shareholders' Equity	166.5	160.1	
<b>Net Financial Position</b>	<b>100.3</b>	<b>103.3</b>	<b>(2.9)</b>
NFP/Shareholders' Equity	0.60	0.65	
NFP/EBITDA adj.	1.90	2.13	
<b>Net Financial Position ex. IFRS16</b>	<b>71.8</b>	<b>74.4</b>	<b>(3.5)</b>
NFP/Shareholders' Equity	0.43	0.46	
NFP/EBITDA adj.	1.60	1.84	

Source: Orsero



## Estimates, valuation & risks

Orsero recorded a remarkable set of results in terms of profitability, driven by a better mix and the complete recovery of the French subsidiary. On the back of the notable operating performance achieved in Q1-21, which even exceeded company expectations, Orsero decided to lift its FY-21 targets, released at the beginning of February and confirmed as FY-20 results were published. **New upgraded company guidance for 2021 foresees another profitable year** in a difficult environment:

- **Net Sales: € 1,040m - € 1,060m** (unchanged)
- **Adj. EBITDA: € 49m - € 51m** (+ € 2m)
- **Net Profit: € 14m - € 16m** (+ € 1m)
- **Net Financial Position: € 80m - € 85m** (- € 2m)
- **Capex: € 9m - € 10m** (unchanged)

We have slightly updated our model factoring in the significant performance in Q1-21. **The results show an average upgrade of 2.8% and 6.2% in EBITDA and Net Profit adj.** for 2021-23, respectively. **Our new 2021 estimates are positioned at the high-end of the company guidance range.**

**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>	<b>0.0</b>	<b>0.0</b>
<b>EBITDA adj.</b>	<b>50.5</b>	<b>49.0</b>	<b>3.1</b>	<b>1.5</b>
% margin	4.7	4.6		
<b>EBIT adj.</b>	<b>23.5</b>	<b>23.1</b>	<b>1.9</b>	<b>0.4</b>
% margin	2.2	2.2		
<b>Net Profit adj.</b>	<b>15.9</b>	<b>14.8</b>	<b>7.3</b>	<b>1.1</b>
% margin	1.5	1.4		
<b>Y/E net debt (net cash)</b>	<b>80.4</b>	<b>81.3</b>	<b>(1.1)</b>	<b>(0.9)</b>

Source: CFO Sim

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

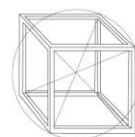
€ m	New	Old	% Diff.	€ m Diff.
<b>Turnover</b>	<b>1,097.2</b>	<b>1,097.2</b>	<b>0.0</b>	<b>0.0</b>
<b>EBITDA adj.</b>	<b>51.8</b>	<b>50.4</b>	<b>2.6</b>	<b>1.3</b>
% margin	4.7	4.6		
<b>EBIT adj.</b>	<b>25.2</b>	<b>25.0</b>	<b>0.9</b>	<b>0.2</b>
% margin	2.3	2.3		
<b>Net Profit adj.</b>	<b>17.0</b>	<b>16.1</b>	<b>5.7</b>	<b>0.9</b>
% margin	1.6	1.5		
<b>Y/E net debt (net cash)</b>	<b>57.9</b>	<b>59.8</b>	<b>(3.1)</b>	<b>(1.8)</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>	<b>0.0</b>	<b>0.0</b>
<b>EBITDA adj.</b>	<b>53.0</b>	<b>51.7</b>	<b>2.6</b>	<b>1.3</b>
% margin	4.7	4.6		
<b>EBIT adj.</b>	<b>26.7</b>	<b>26.5</b>	<b>1.0</b>	<b>0.3</b>
% margin	2.4	2.4		
<b>Net Profit adj.</b>	<b>18.1</b>	<b>17.2</b>	<b>5.5</b>	<b>0.9</b>
% margin	1.6	1.5		
<b>Y/E net debt (net cash)</b>	<b>33.6</b>	<b>36.4</b>	<b>(7.6)</b>	<b>(2.8)</b>

Source: CFO Sim



As a consequence of the upgraded estimates and the updated valuation methodology assumptions, we set a **new DCF-based PT of € 12.80** (€ 11.50), 47.5% upside.

Orsero showed to be **less impacted** by current market uncertainties compared to other stocks and should **offer some protection to investor portfolios**. **CFO Sim confirms the Buy rating on the stock:** in this scenario, Orsero represents a defensive, poised, long-term value player.

## 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 2W 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, and finally by leveraging it for Orsero's 30/70 debt/equity long-term sustainable balance-sheet structure.

**Table 9 - Orsero, DCF model**

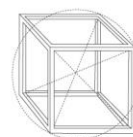
€ m	2021e	2022e	2023e	2024e	2025e	Term. Val.
EBIT	23.5	25.2	26.7	27.0	27.3	
Tax rate	30.0%	30.0%	30.0%	30.0%	30.0%	
<b>Operating profit (NOPAT)</b>	<b>16.5</b>	<b>17.6</b>	<b>18.7</b>	<b>18.9</b>	<b>19.1</b>	
Change working capital	(1.9)	(2.5)	(1.0)	(0.5)	(0.2)	
Depreciation	24.0	23.6	23.2	16.6	10.0	
Investments	(10.0)	(10.0)	(10.0)	(10.0)	(10.0)	
<b>Free Cash Flows</b>	<b>28.6</b>	<b>28.7</b>	<b>30.9</b>	<b>25.0</b>	<b>18.9</b>	<b>312.4</b>
Present value	27.4	25.7	25.8	19.5	13.7	227.3
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	339.3
<i>thereof terminal value</i>	67.0%
NFP last reported	(103.5)
Pension provision last reported	(9.9)
<b>Equity value € m</b>	<b>225.9</b>
#m shares	17.68
<b>Equity value €/s</b>	<b>12.80</b>
<i>% upside/(downside)</i>	<b>47.5%</b>

Source: CFO Sim



The application of the model produces an equity value of € 225.9m, corresponding to € 12.80/share, 47.5% upside.

The following tables illustrate that sensitivity 1) compared to changes in the terminal growth rate produces an equity value of between € 10.86–15.44/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 € 11.31-14.43/s (free risk range of between 1.56% and 0.00%) and 3) if compared to changes in the risk premium, including small size premium, it results in an equity value of € 9.94-17.00/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	112.0	112.0	112.0	112.0	112.0	112.0	112.0	112.0	112.0
PV of terminal value	193.4	200.9	209.0	217.8	227.3	237.5	248.7	261.0	274.4
<b>Total value</b>	<b>305.4</b>	<b>313.0</b>	<b>321.1</b>	<b>329.8</b>	<b>339.3</b>	<b>349.6</b>	<b>360.8</b>	<b>373.0</b>	<b>386.5</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>192.0</b>	<b>199.5</b>	<b>207.7</b>	<b>216.4</b>	<b>225.9</b>	<b>236.2</b>	<b>247.4</b>	<b>259.6</b>	<b>273.0</b>
<b>Equity value/share €</b>	<b>10.86</b>	<b>11.28</b>	<b>11.74</b>	<b>12.24</b>	<b>12.80</b>	<b>13.36</b>	<b>13.99</b>	<b>14.68</b>	<b>15.44</b>

Source: CFO Sim

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

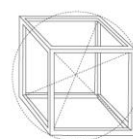
€ m	0.00%	0.16%	0.36%	0.56%	0.76%	0.96%	1.16%	1.36%	1.56%
Present value of CF	113.4	113.1	112.7	112.4	112.0	111.7	111.4	111.0	110.7
PV of terminal value	255.1	249.0	241.4	234.1	227.3	220.7	214.4	208.5	202.8
<b>Total value</b>	<b>368.5</b>	<b>362.1</b>	<b>354.1</b>	<b>346.5</b>	<b>339.3</b>	<b>332.4</b>	<b>325.8</b>	<b>319.5</b>	<b>313.4</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>255.1</b>	<b>248.7</b>	<b>240.7</b>	<b>233.1</b>	<b>225.9</b>	<b>219.0</b>	<b>212.4</b>	<b>206.1</b>	<b>200.0</b>
<b>Equity value/share €</b>	<b>14.43</b>	<b>14.06</b>	<b>13.61</b>	<b>13.18</b>	<b>12.80</b>	<b>12.38</b>	<b>12.01</b>	<b>11.65</b>	<b>11.31</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	115.1	114.3	113.5	112.8	112.0	111.3	110.6	109.9	109.1
PV of terminal value	299.0	277.8	259.1	242.3	227.3	213.7	201.4	190.2	179.9
<b>Total value</b>	<b>414.1</b>	<b>392.1</b>	<b>372.6</b>	<b>355.1</b>	<b>339.3</b>	<b>325.0</b>	<b>312.0</b>	<b>300.0</b>	<b>289.1</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>300.7</b>	<b>278.7</b>	<b>259.2</b>	<b>241.7</b>	<b>225.9</b>	<b>211.6</b>	<b>198.5</b>	<b>186.6</b>	<b>175.7</b>
<b>Equity value/share €</b>	<b>17.00</b>	<b>15.76</b>	<b>14.66</b>	<b>13.67</b>	<b>12.80</b>	<b>11.97</b>	<b>11.23</b>	<b>10.55</b>	<b>9.94</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 **Fresh Del Monte Produce, Total Produce and Greenyard**. Sizes vary in terms of market capitalization and figures as well as profitability: 1) Fresh Del Monte shows a € 1.4bn market value and € 3.6bn sales with an 5.5% EBITDA margin expected for 2021; 2) Total Produce has a market size of € 900m, € 4.1bn revenues and a 2.3% EBITDA margin projected for 2021; 3) Greenyard boasts a € 446m market value and € 4.5bn sales with a 2.8% EBITDA margin expected for 2021.

**Orsero is the smallest** in the list in terms of turnover and has by far **higher profitability** than the peer average.

**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 **has to be abridged** to a certain extent considering 1) Orsero's higher profitability than its peer group's and 2) the active role it can play in the medium-/ 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
Fresh Del Monte Produce Inc	1,392	3,590	199	5.5%	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Total Produce PLC	901	4,090	96	2.3%	n.a.	n.a.	n.a.	n.a.	224	2.3
Greenyard NV	446	4,497	125	2.8%	4.7%	17.7%	300.8%	65.3%	476	3.8
<b>Median</b>	<b>901</b>	<b>4,090</b>	<b>125</b>	<b>2.8%</b>	<b>4.7%</b>	<b>17.7%</b>	<b>300.8%</b>	<b>65.3%</b>	<b>350</b>	<b>3.1</b>
<b>Orsero Spa</b>	<b>153</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>80</b>	<b>1.6</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
Fresh Del Monte Produce Inc	n.a.	n.a.	n.a.	22.3	17.7	n.a.	9.7	8.7	n.a.
Total Produce PLC	11.8	10.7	n.a.	14.8	14.1	n.a.	11.8	10.6	n.a.
Greenyard NV	7.4	6.6	5.6	44.6	22.9	16.3	5.7	5.0	4.0
<b>Median</b>	<b>9.6</b>	<b>8.6</b>	<b>5.6</b>	<b>22.3</b>	<b>17.7</b>	<b>16.3</b>	<b>9.7</b>	<b>8.7</b>	<b>4.0</b>
Orsero Spa	<b>4.6</b>	<b>4.1</b>	<b>3.5</b>	<b>9.7</b>	<b>9.0</b>	<b>8.5</b>	<b>3.7</b>	<b>3.6</b>	<b>3.5</b>
% (Discount)/Premium to peer median	-51.6%	-52.7%	-37.2%	-56.6%	-49.0%	-48.1%	-62.2%	-58.7%	-11.8%

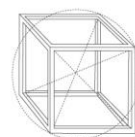
Source: Thomson Reuters Eikon, CFO Sim

**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>9.6</b>	<b>8.6</b>	<b>5.6</b>	<b>22.3</b>	<b>17.7</b>	<b>16.3</b>	<b>9.7</b>	<b>8.7</b>	<b>4.0</b>
Orsero metrics	50.5	51.8	53.0	0.85	0.90	0.96	2.10	2.07	2.08
NFP	80.4	57.9	33.6						
% discount applied	20%								
<b>Orsero Equity Value</b>	<b>306.2</b>	<b>299.3</b>	<b>204.7</b>	<b>268.8</b>	<b>224.6</b>	<b>222.8</b>	<b>290.0</b>	<b>256.4</b>	<b>118.5</b>
<b>Orsero Equity Value €/s</b>	<b>17.30</b>	<b>16.90</b>	<b>11.60</b>	<b>15.20</b>	<b>12.70</b>	<b>12.60</b>	<b>16.40</b>	<b>14.50</b>	<b>6.70</b>
% upside/(downside)	99.3	94.7	33.6	75.1	46.3	45.2	88.9	67.1	(22.8)

Source: Thomson Reuters Eikon, CFO Sim

We confidently consider that the most suitable multiple to look at is EV/EBITDA. We are valuing the stock to **2021 figures**. After having applied a residual 20.0% discount factoring in the smaller size, the **2021 EV/EBITDA derived equity value totals € 306.2m, corresponding to 17.30, 99.3% upside.**



## 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 € 8.70/s on 13<sup>th</sup> May 21 and a 1Y minimum price of € 4.65 on 14<sup>th</sup> May 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
Fresh Del Monte Produce Inc	6.5	2.3	22.1	32.6	56.6	47.0	64.2
Total Produce PLC	0.4	7.7	11.0	54.7	88.6	69.1	118.9
Greenyard NV	(0.5)	0.1	5.5	29.2	61.5	45.0	72.0
<b>Peers Median</b>	<b>0.4</b>	<b>2.3</b>	<b>11.0</b>	<b>32.6</b>	<b>61.5</b>	<b>47.0</b>	<b>72.0</b>
<b>Orsero Spa</b>	<b>6.4</b>	<b>7.2</b>	<b>10.2</b>	<b>30.7</b>	<b>46.6</b>	<b>38.7</b>	<b>81.2</b>
FTSE STAR Italia	0.3	(1.0)	(0.9)	4.1	23.2	12.6	52.7
Thomson Reuters Food & Beverage EU	0.0	(0.1)	2.7	7.6	8.9	5.6	21.3

Source: Thomson Reuters Eikon

**Table 18 – Orsero, relative performances**

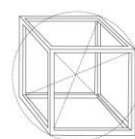
%	1D	1W	1M	3M	6M	YTD	1Y
Orsero Spa to peers	5.9	4.8	(0.9)	(1.9)	(14.8)	(8.3)	9.2
Orsero Spa to FTSE STAR Italia	6.1	8.2	11.1	26.6	23.4	26.0	28.5
Orsero Spa to EU Sector	6.4	7.3	7.5	23.1	37.7	33.1	59.9

Source: Thomson Reuters Eikon

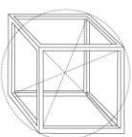
## Risks

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 the COVID-19 spread,
- profit margin dilution stemming from the acquisition campaign,
- impact of sharp fluctuation on the US\$ and bunker prices



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## ANALYST CERTIFICATION

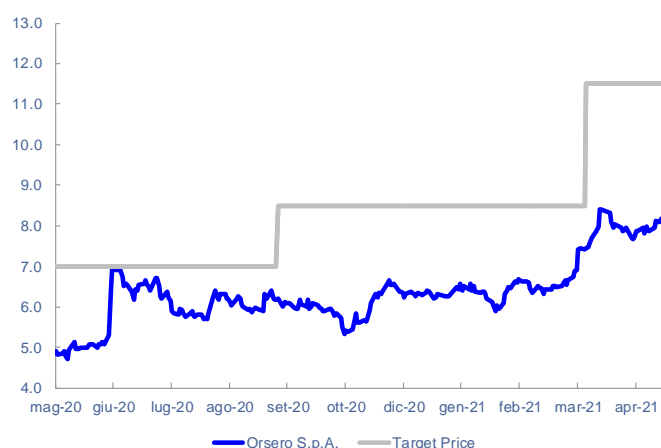
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DATE	TARGET PRICE	RATING
15/05/2021	€12.80	BUY
19/03/2021	€11.50	BUY
26/02/2021	€8.50	BUY
02/02/2021	€8.50	BUY
16/11/2020	€8.50	BUY
16/09/2020	€8.50	BUY
15/05/2020	€7.00	BUY

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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.

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