

Italy - Food

A crisis-proof business model underlies solid quarterly results

16th November 2020

Q3-20 RESULT RELEASE

RIC: ORSO.MI
BBG: ORS IM

A remarkable set of results, characterised by solid top line growth and more than proportional margin progression. 86% of the expected FY-20 EBITDA was already achieved in the first nine months of the year. Orsero is confident of reaching the top of the range of the FY guidance announced last Feb-20. Focus on external growth to seize opportunities in growing and profitable niches.

Rating:

Buy

Price Target:

€ 8.50

Upside/(Downside): 39.3%

Last Price: € 6.10

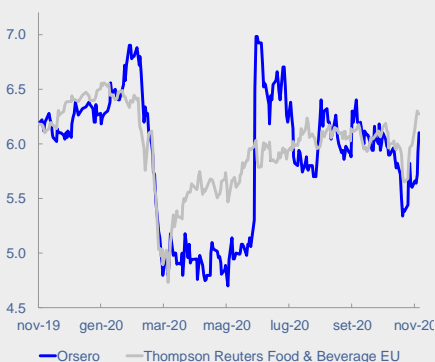
Market Cap.: € 107.9m

1Y High/Low: € 7.66/€ 4.30

Free Float: 59.5%

Major shareholders:

FIF Holding 32.5%
Grupo Fernández 6.3%



Stock price performance

	1M	3M	12M
Absolute	3.4%	-3.2%	-1.6%
Rel.to Milan AIM	1.9%	-10.4%	-10.6%
Rel.to EU Sector	-1.1%	-6.6%	-4.0%

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Top level result, business model resiliency and future M&A: Buy reiterated

Orsero reported solid Q3-20 results, driven by rising prices and a favourable mix and sustained by a top-notch loading factor. The group's business model demonstrated strong solidity and resiliency in harsh times. The balance sheet structure will allow Orsero to continue in its acquisition campaign, aimed at seizing opportunities in growing and profitable niches. In our opinion possible targets might operate in the Bio-Organic and berry niches. If we assume a well manageable 3x NFP/EBITDA leverage ratio, Orsero has enough firepower to grab relatively sizeable firms in those segments. Conservatively, we leave our estimates unchanged and reiterate the Buy recommendation on the shares.

€ m	Q3-20	Q3-19	% YoY	9M-20	9M-19	% YoY
Net Sales	267.9	255.4	4.9	788.7	748.3	5.4
EBITDA adj.	15.7	8.9	75.6	39.2	28.2	39.0
% margin	5.9	3.5		5.0	3.8	
EBIT adj.	9.2	1.9	n.m.	20.1	9.6	109.4
% margin	3.4	0.8		2.5	1.3	
Net Profit adj.	5.8	(0.4)	n.m.	13.3	3.6	n.m.
% margin	2.2	(0.1)		1.7	0.5	
NFP*	114.7	126.9	(9.6)	114.7	126.9	(9.6)

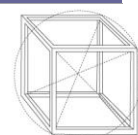
Source: Company Data, *NFP compares to FY-19

Buoyant results allow Orsero to reach 86% of FY-20e EBITDA already in 9M-20

Sales increased by 4.9% to € 267.9m: volumes were flat, prices were up and mix was favourable thanks to citrus and kiwi. Top line improvement is attributable to 1) the solid growth of the Import & Distribution BU driven by the positive performance of the Italian and French subsidiaries and to 2) the positive contribution of the Shipping BU. EBITDA adj. reached € 15.7m, up 75.6% YoY, 5.9% margin vs. 3.5% in Q3-19. EBIT adj. totalled € 9.2m, vs. € 1.9m in Q3-19. Net Profit adj. reached € 5.8m vs. a loss of € 0.4m in Q3-19. Margins were driven by the good performance of the distribution units in Italy and Spain and by the solid recovery in France. Conversely, banana/pineapple margins were weak at import stage as well as Mexican avocado exports. The Shipping BU unit achieved a better freight rate, stable volumes, and a load factor of 93%. It also benefited from the new sailing schedule implemented in 2019 (5 vessels instead of 4, 35 days for the round trip instead of 28 days). NFP was € 114.7m vs. € 126.9m in Dec-19 and € 119.1m in Jun-20. The improvement is due to CF generation for € 18m, only partially counterbalanced by 1) capex of € 16.1m, 2) the fact that the purchase value of € 17.8m for the properties instrumental to the core business, carried out at the beginning of 2020, more than offset by the excerpt of the related right-of-use value of € 27.5m pursuant to IFRS 16, 3) WC cash absorption mainly related to business seasonality.

Orsero, key financials and ratios

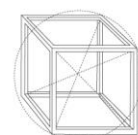
€ m	2018	2019	2020e	2021e	2022e
Sales	952.8	1,005.7	1,048.2	1,075.2	1,103.0
EBITDA adj	32.9	38.7	45.5	47.2	48.4
EBIT adj	17.5	13.0	19.7	21.7	23.3
Net profit	8.0	2.0	10.6	13.0	14.1
Net profit adj	12.7	5.3	11.6	13.0	14.1
NFP (cash)/debt	36.1	126.9	106.3	85.4	66.8
EPS adjusted FD	0.72	0.30	0.66	0.73	0.80
EPS adj. FD growth	-32.7%	-58.4%	119.6%	17.6%	8.8%
DPS ord. €/s	0.12	0.08	0.12	0.13	0.14
Dividend yield	2.0%	1.2%	2.0%	2.1%	2.3%
Free Cash Flow Yield	11.1%	-15.1%	20.3%	21.4%	19.3%
PER x	8.5	23.9	9.3	8.3	7.6
EV/Sales x	0.19	0.25	0.20	0.18	0.16
EV/EBITDA x	5.4	6.6	4.7	4.1	3.6
EV/EBIT x	10.1	19.6	10.9	8.9	7.5





Income statement (€ m)	2018	2019*	2020e	2021e	2022e
Revenues	952.8	1,005.7	1,048.2	1,075.2	1,103.0
COGS	(874.8)	(927.9)	(959.2)	(982.1)	(1,007.4)
Gross Profit	78.0	77.8	89.0	93.1	95.6
SG&A	(66.6)	(69.4)	(70.6)	(71.4)	(72.3)
EBIT	11.4	8.4	18.4	21.7	23.3
Financials	(2.5)	(3.9)	(3.9)	(3.9)	(3.9)
Results from investments	2.4	1.0	1.0	1.0	1.0
Pre Tax Profit	11.2	5.5	15.4	18.8	20.4
Taxes	(3.2)	(3.2)	(4.6)	(5.6)	(6.1)
Discontinued	0.0	0.0	0.0	0.0	0.0
Minorities	(0.0)	(0.2)	(0.2)	(0.2)	(0.2)
Net Profit	8.0	2.0	10.6	13.0	14.1
D&A and Provisions	(15.4)	(25.8)	(25.8)	(25.5)	(25.1)
Non recurring items	(6.1)	(4.6)	(1.3)	0.0	0.0
EBITDA adj.	32.9	38.7	45.5	47.2	48.4
EBIT adj.	17.5	13.0	19.7	21.7	23.3
Net Profit adj.	12.7	5.3	11.6	13.0	14.1
Balance sheet (€ m)	2018	2019*	2020e	2021e	2022e
Net Working Capital	32.4	30.6	12.0	15.3	21.6
Net Fixed Assets	141.2	233.7	240.2	226.0	212.3
Equity Investments	8.9	8.1	8.3	8.4	8.6
Other M/L Term A/L	3.7	5.5	6.2	6.8	7.4
Net Invested Capital	186.3	277.8	266.6	256.6	249.9
Net Financial Debt/(cash)	36.1	126.9	106.3	85.4	66.8
Minorities	0.5	0.7	0.9	1.0	1.2
Group's Shareholders Equity	149.7	150.2	159.4	170.2	181.9
Financial Liabilities & Equity	186.3	277.8	266.6	256.6	249.9
Cash Flow statement (€ m)	2018	2019*	2020e	2021e	2022e
Total net income	8.0	2.0	10.6	13.0	14.1
Depreciation	13.7	23.7	24.4	24.0	23.6
Other non-cash charges	2.3	(1.8)	(0.7)	(0.6)	(0.6)
Cash Flow from Oper. (CFO)	23.9	24.0	34.3	36.4	37.1
Change in NWC	10.6	1.9	18.6	(3.3)	(6.3)
FCF from Operations (FCFO)	34.5	25.9	52.9	33.0	30.8
Net Investments (CFI)	(22.5)	(42.1)	(31.0)	(10.0)	(10.0)
Free CF to the Firm (FCFF)	12.0	(16.3)	21.9	23.0	20.8
CF from financials (CFF)	(15.5)	(3.5)	13.7	(2.1)	(2.3)
Free Cash Flow to Equity (FCFE)	(3.6)	(19.7)	35.6	21.0	18.6
Financial ratios	2018	2019*	2020e	2021e	2022e
EBITDA adj. margin	3.5%	3.8%	4.3%	4.4%	4.4%
EBIT margin	1.2%	0.8%	1.8%	2.0%	2.1%
Net profit margin	0.8%	0.2%	1.0%	1.2%	1.3%
Tax rate	28.8%	58.6%	30.0%	30.0%	30.0%
Op NWC/Sales	3.4%	3.0%	1.1%	1.4%	2.0%
Interest coverage x	0.22	0.46	0.21	0.18	0.17
Net Debt/EBITDA adj. x	1.10	3.28	2.34	1.81	1.38
Debt-to-Equity x	0.24	0.84	0.67	0.50	0.37
ROIC	4.3%	0.7%	4.0%	5.1%	5.7%
ROCE	6.3%	3.7%	5.2%	5.6%	5.8%
ROACE	6.2%	4.1%	5.4%	5.7%	5.9%
ROE	5.3%	1.3%	6.7%	7.6%	7.8%
Payout ratio	25.5%	63.2%	19.6%	17.4%	17.2%
Per share figures	2018	2019*	2020e	2021e	2022e
Number of shares # m	17.68	17.68	17.68	17.68	17.68
Number of shares Fully Diluted # m	17.68	17.68	17.68	17.68	17.68
Average Number of shares Fully Diluted	17.68	17.68	17.68	17.68	17.68
EPS stated FD €	0.45	0.11	0.60	0.73	0.80
EPS adjusted FD €	0.72	0.30	0.66	0.73	0.80
EBITDA €	1.86	2.19	2.57	2.67	2.74
EBIT €	0.64	0.47	1.04	1.23	1.32
FCFO €	1.95	1.46	2.99	1.87	1.74
FCFF €	0.68	(0.92)	1.24	1.30	1.18
FCFE €	(0.20)	(1.12)	2.01	1.19	1.05
Dividend €	0.12	0.08	0.12	0.13	0.14

*as of 2019 figures include IFRS 16 effect



The company in a nutshell

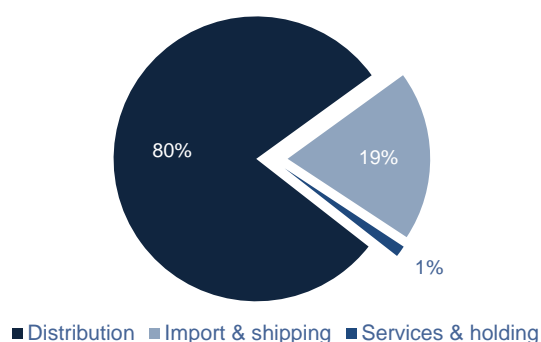
Orsero is an international group headquartered in Albenga (Savona), operating in the fresh fruit and vegetable import and distribution business in the Mediterranean area of Europe. The group was founded over 50 years ago by the Orsero family. The current business includes the import and distribution of fresh fruit and vegetables as well as the production and export of fruit together with chilled maritime transportation. Orsero boasts a presence mainly in Italy, France, Spain, Portugal, Greece, Costa Rica and Colombia.

During 2012, the group launched the "F.lli Orsero" brand for bananas and pineapples, which expresses the sense of tradition and the passion of a large Italian family company for fruit and vegetables of the highest quality.

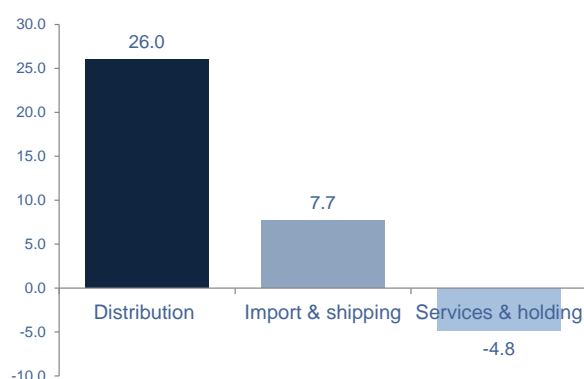
2019 Orsero highlights: € 1.0bn revenues, EBITDA adj. of € 28.9m (2.9% margin), € 5.3m adjusted net profit and € 66.9m net financial position (2.31x EBITDA adj.). Including IFRS 16 effect EBITDA adj. was € 38.7m and net financial position stood at € 126.9m

Orsero was listed on AIM Italia (Alternative Investment Market) on 13-Feb-17 as a result of the merger between Glenalta Food and Orsero. The merger was the final step in the business combination between Glenalta Food and GF Group, as regulated by the agreement signed and announced on 28th October 2016. Orsero has been trading on the STAR segment of MTA market of Borsa Italiana since 23-Dec-19.

2019 Gross Turnover...



...and EBITDA by business



Shareholder structure

	%	# m
FIF Holding	32.5%	5.75
Grupo Fernandez	6.3%	1.12
Treasury Shares	1.7%	0.30
Free Float	59.5%	10.52
o/w Praude Asset Management	9.5%	1.69
Global Portfolio Investments	5.7%	1.01
First Capital	5.1%	0.90
Total	100.0%	17.68

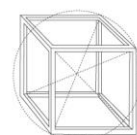
Peer group absolute performance

	1D	1W	1M	3M	6M	YTD
Fresh Del Monte Produce Inc	2.4	9.0	(6.1)	(5.4)	4.2	(33.9)
Total Produce PLC	0.0	5.1	7.9	16.0	15.0	(14.0)
Greenyard NV	0.7	11.5	5.5	(3.0)	6.1	14.6
Peers Median	0.7	9.0	5.5	(3.0)	6.1	(14.0)
Orsero Spa	3.0	8.9	3.4	(3.2)	23.5	(4.4)
FTSE STAR Italia	0.3	2.9	1.5	7.2	24.8	4.6
EU Sector	(0.1)	4.7	4.5	3.4	13.6	(2.1)
Orsero Spa to peers	2.3	(0.1)	(2.1)	(0.1)	17.4	9.6
Orsero Spa to FTSE STAR Italia	2.8	6.1	1.9	(10.4)	(1.3)	(9.0)
Orsero Spa to EU Sector	3.1	4.2	(1.1)	(6.6)	9.9	(2.3)

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	20.3	12.2	n.a.	7.3	6.0	n.a.	n.a.	n.a.	n.a.
Total Produce PLC	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	8.6	8.1	7.9
Greenyard NV	49.4	15.2	10.6	3.0	2.6	2.3	6.3	5.7	5.0
Median	34.8	13.7	10.6	5.2	4.3	2.3	7.5	6.9	6.4
Orsero Spa	9.3	8.3	7.6	2.9	2.8	2.7	4.7	4.1	3.6
% (Discount)/Premium to peer median	-73.4%	-39.2%	-28.1%	-44.1%	-34.4%	17.7%	-37.0%	-40.7%	-44.0%

Source: CFO Sim, Thomson Reuters Eikon



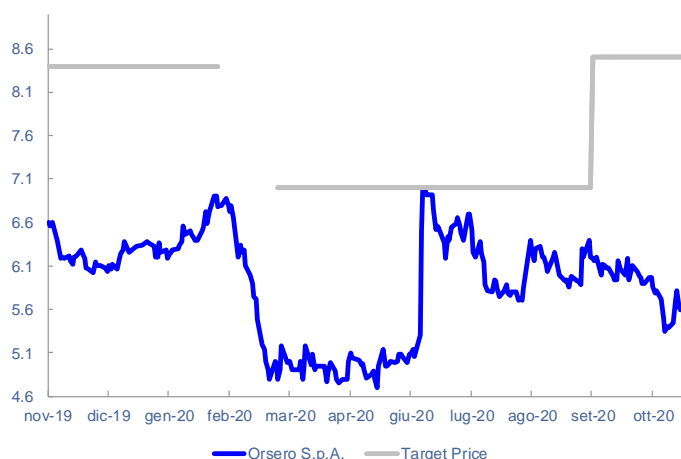
ANALYST CERTIFICATION

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
16/11/2020	€8.50	BUY
16/09/2020	€8.50	BUY
15/05/2020	€7.00	BUY
18/03/2020	€7.00	BUY
13/02/2020	U.R.	BUY
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.

