

## Orior (ORON)

Sec. no.: R: 11 167 736

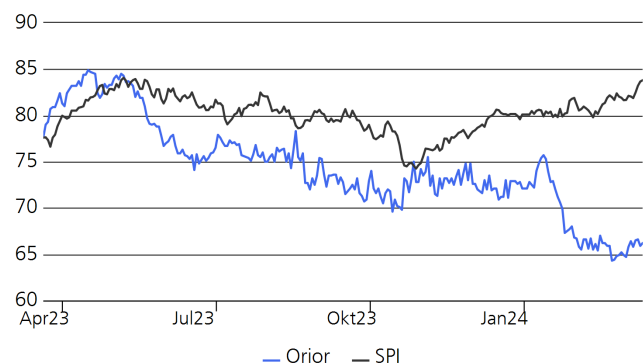
Price: CHF 66.50

**As expected following the profit warning in 2023. Outlook with margin improvement, but slightly below expectations**

Rating: Outperform  
 Expected relative performance: 15%  
 Sector: Packaged Foods & Meats  
 Analyst: Patrik Schwendimann +41 44 292 22 21

In CHF	2022	2023	2024E
EPS old	4.61	3.75	4.02
EPS new	4.61	3.79	4.02
P/E	14.4x	17.5x	16.5x
P/B	5.3x	4.9x	4.4x
Dividend	2.50	2.51	2.55

Source: Zürcher Kantonalbank



Sources: Zürcher Kantonalbank, Refinitiv

(in CHF mn)	2022	2023	ZKB E	Consensus	Consensus: AWP (n = 4)
<b>Total revenue</b>	<b>636.7</b>	<b>643.1</b>	<b>643.0</b>	<b>Published</b>	Orior already indicated revenue of CHF 643 mn in the profit warning issued on 24 January 2024. The change in revenue breaks down as follows: organic +2.1% (after +2.4% in 1H) and currency effect -1.1%.
- Change yoy	3.7%	1.0%	1.0%	n.a.	
Refinement revenue	249.1	245.7	242.9	n.a.	1.2% above our expectations. The revenue trend has improved for the full year compared to 1H (1H: -4.3%), partly due to the higher price of pork. Albert Spiess (Bündnerfleisch) fell significantly short of original expectations (loss of orders, weak exports, subdued Christmas business in food service).
- Change yoy	0.9%	-1.4%	-2.5%	n.a.	
Convenience revenue	220.2	219.8	220.2	n.a.	In line with our expectations. The revenue trend remained more or less stable in the full year vs H1 (H1:-0.1%). Adjusted growth came in at +0.6% (volume transfer from the Convenience division to the Meat Processing division). Food service and exports of plant-based products came in below the original expectations.
- Change yoy	-1.2%	-0.2%	0.0%	n.a.	
International revenue	189.7	198.9	200.0	n.a.	0.5% below our expectations: org. +8.5% (ZKB E: +9.1%), compared with +11.0% in H1; currency effect: -3.7% (ZKB: -3.7%).
- Change yoy	13.6%	4.8%	5.4%	n.a.	Strong recovery in the Casualfood airport catering business, new listings at Culinor, weak exports of Bündnerfleisch.
<b>EBITDA</b>	<b>64.1</b>	<b>59.2</b>	<b>59.2</b>	<b>Published</b>	Orior indicated an EBITDA margin of 9.2% in the profit warning of 24 January 2024. The EBITDA margin deteriorated by 90 bp to 9.2%, following +0 bp to 9.8% in H1. The gross profit margin improved by 210 bp to 48.0% (ZKB E: 48.3%), following +310 bp to 48.8% in H1.
- Change yoy	0.0%	-7.7%	-7.7%	n.a.	
- EBITDA margin	10.1%	9.2%	9.2%	n.a.	
<b>Net profit</b>	<b>30.2</b>	<b>24.8</b>	<b>24.6</b>	<b>25.1</b>	Net profit is 1.2% below the consensus expectation and 0.8% above our estimate. Both the financial result of CHF -2.6 mn (ZKB E: -2.7 mn, previous year -2.5 mn) and the tax rate of 15.8% (previous year: 14.1%, ZKB E: 15.7%) are in line with our expectations.
- Change yoy	10.6%	-17.8%	-18.6%	-16.8%	

Source: Zürcher Kantonalbank

**Outlook:** Orior expects revenue of CHF 652.7 mn to CHF 659.2 mn in 2024 at constant exchange rates (ZKB E: 654 mn), organic growth 1.5% to 2.5% (ZKB E: +2.7%, ZKB E: currency effect -1.0%), EBITDA margin 9.3% to 9.5% (ZKB E: 9.5%, Bloomberg consensus: 9.6%) with an increase in EBITDA (ZKB: CHF 62.1 mn, consensus: CHF 64.2 mn), tax rate 15.0% to 19.0% (ZKB E: 16.0%), ordinary investments CHF 18 mn to CHF 22 mn (ZKB E: CHF 24 mn). In addition, there are strategic investments of CHF 30 mn to 34 mn in connection with the plant development and the purchase of an adjacent building at the Oberentfelden (CH) site.

The target of an EBITDA margin of 10% has been confirmed, but according to Orior, the recovery is likely to continue over the next two to three years due to the challenging general conditions (including rising input costs in some cases). Among other things, Orior mentions a product portfolio analysis, which may lead to adjustments to the product range and structure. Innovations remain a core strategic aspect at Orior, as they generally exhibit an improved margin structure.

The Board of Directors is to be strengthened with the addition of Felix Burkhard (CFO Galenica, 1966) and Dr Patrick M. Müller (ex-CEO of home delivery company Milk & More and formerly with Theo Müller, 1980). CFO Andreas Lindner will leave Orior at the beginning of 2025 to devote himself to private/sporting commitments and to concentrate on VR activities in the future. The imminent departure of CFO Andreas Lindner is certainly a loss, but is not entirely surprising for us in view of his great commitment to sport.

**Conclusion:** After the profit warning on 24 January 2020, the annual result for 2023 no longer comes as a major surprise. The EBITDA margin fell due to high input costs (including rising pork prices), a decline in volume (revenue in Switzerland -0.3%) and a shift in the mix towards lower-margin product ranges. Operating cash flow fell by 11% to CHF 53.0 mn (2022: +16% to CHF 59.4 mn). The debt ratio (net debt/EBITDA) fell from 2.06x to 1.97x. The dividend is to be increased by 0.4% to CHF 2.51 per share, but this puts it slightly below expectations (ZKB E: CHF 2.55, consensus: 2.54).

The guidance for 2024 is slightly below expectations. However, Orior

is likely to have set its guidance at this level to avoid having to disappoint again at the end of the year. Orior's revenue in 2024 will benefit from a further recovery in the airport catering business (10% of revenue before Covid-19, 2023: 9%) and innovations in the convenience sector at Culinor and in Switzerland. Compared to other food companies, Orior is moderately valued with a 12-month P/E of 16.1x (14% premium vs history) and a fair value according to our DCF model (WACC 6.75%) of CHF 86.60 per share (+30% vs current price). The dividend yield is attractive at 3.8%. We expect a slightly negative price reaction, although a lot of the negative factors have already been priced in. Team video conference at 10:00 a.m.

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– Credit research analysts: Bell Food Group (18.08.2015; CHF 250.5); Emmi (01.11.2007; CHF 169); Holcim (27.03.2020; CHF 34.34); SGS (21.09.2015; CHF 1718)

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Market Perform	98	55.37%	53.06%
Underperform	14	7.91%	35.71%

The table is updated at the beginning of each quarter and reflects the data at that time: 31.12.2023

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