

Obtala Limited[#]

BBG Ticker: *OBT LN*Price: *18.3p*Mkt Cap: *£53.5m***BUY**

Year to Dec	Revenue (US\$m)	Adj. EBITDA (US\$m)	Adj. PBT (US\$m)	Adj. EPS (US\$c)	DPS (US\$c)	EV/Sales (x)	EV/EBITDA (x)	P/E (x)	Div. Yield (%)
2015A	0.9	(4.4)	(3.3)	(3.9)	0.0	144.7	n/a	n/a	0.0%
2016A	0.6	(3.8)	(5.3)	(2.0)	0.0	199.3	n/a	n/a	0.0%
2017E	10.3	(2.5)	(3.2)	(1.3)	0.0	12.2	n/a	n/a	0.0%
2018E	43.2	11.2	8.6	2.1	0.0	2.9	11.2	11.0	0.0%

SOURCE: Company Data, VSA Capital estimates.

Separate Boards to Deliver Required Focus

In the last month **Obtala Limited (OBT LN)[#]** has released a number of updates to the market, including its H1 2017 results, a further US\$2m preference share issuance, and a Q3 operations update. From these announcements we believe the most important points for investors to note are that OBT has now started to generate significant revenues from its forestry operations and it is restructuring its two key divisions into standalone businesses.

Forestry Ramp-up in-line with our Expectations

Across its concessions in Mozambique and Gabon in Q3, OBT harvested 15,000m³ of logs and produced 4,500m³ of export-grade sawn timber (leaving a proportion of harvested logs for processing in subsequent quarters). Both of these figures suggest that OBT is ramping up production in-line with our expectations for FY 2017 (c24,000m³ logs harvested, c10,000m³ timber produced). This provides confidence that OBT will continue to successfully execute its forestry business model into 2018, when its new sawmill in Mozambique will be commissioned.

Restructuring Brings Additional Operational Focus

OBT has also announced the creation of a separate Board of Directors for each of its Agriculture and Forestry businesses. This should allow additional operational focus, with each management team given separate P&L responsibility, as well as make it easier for future investors and partners to access the parts of OBT that they are specifically interested in. It will also make a potential disposal or IPO of its agriculture business in the future more straightforward, should such an opportunity arise.

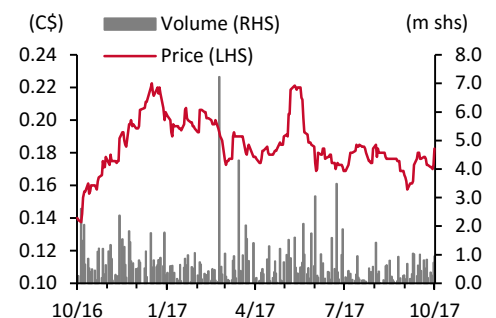
Recommendation and Target Price

Following its interim results we have made a number of changes to our forecasts for FY 2017 and FY 2018 (see page 8). However, we maintain our **BUY** recommendation and target price of **36p**.

Company Description

Obtala is developing sustainable agriculture and forestry operations in sub-Saharan Africa.

One Year Price Performance



Price % chg	1mn	3mn	12mn
	+10.6%	+8.1%	+30.4%
12mn high/low:			22.3p/13.8p

SOURCE: FactSet, as of 20 October 2017 close.

Market:	LSE AIM
Sector:	Agriculture & Forestry
Location:	Sub-Saharan Africa
Shares in issue:	293.2m
Price target:	36p

Edward Hugo, Head of Research and Agriculture Analyst

+44 (0)20 3617 5187 | ehugo@vsacapital.com

H1 2017 Results Summary

On 28 September African forestry and agriculture business **Obtala Limited (OBT LN)**[#] released its interim results for the six months to 30 June 2017 (H1 2017).

- **Revenue:** US\$0.2m (H1 2016: US\$0.4m); VSA FY 2017 forecast was US\$13.7m
- **Operating loss:** US\$3.8m (H1 2016: US\$2.5m); VSA FY 2017 forecast was US\$2.0m
- **Net assets:** US\$152.5m (H1 2016: US\$120.2m)
- **Cash and cash equivalents as of 30 June 2017:** US\$1.9m (31 December 2016: US\$3.4m)

Having carried out its transformational acquisition of **WoodBois International** at the end of the period, H1 2017 looks set to be the last period of minimal financial performance for the company, given WoodBois generated US\$9.2m in revenues in H1 and OBT has near-term plans to rapidly scale up the trading side of this business through additional trade finance facilities.

The biological assets of WoodBois have been assessed by the same valuer used on its existing concessions and a value of US\$53m has been provided. This provided a US\$34m non-cash ‘gain from bargain purchase’ contribution to OBT’s P&L for the H1 period, resulting in a reported PAT of US\$22.7m and adding to the already significant biological assets on its balance sheet, which now total US\$228m.

Obtala Limited (OBT LN)

On 2 October, OBT announced that it had raised a further US\$2m in a final preference share subscription in OBT’s 75%-owned forestry subsidiary, **Argento Limited**. As a result, the company has ceased discussions for a potential £4m equity investment in OBT from China-based timber traders **Jiangsu Dolphin International Trading**.

Structural Reorganisation

Aside from its financial results, OBT also announced that it would be creating individual Board of Directors’ for each of its forestry (**Argento**) and agriculture (**Montara**) divisions, resulting in a number of new appointments at various levels.

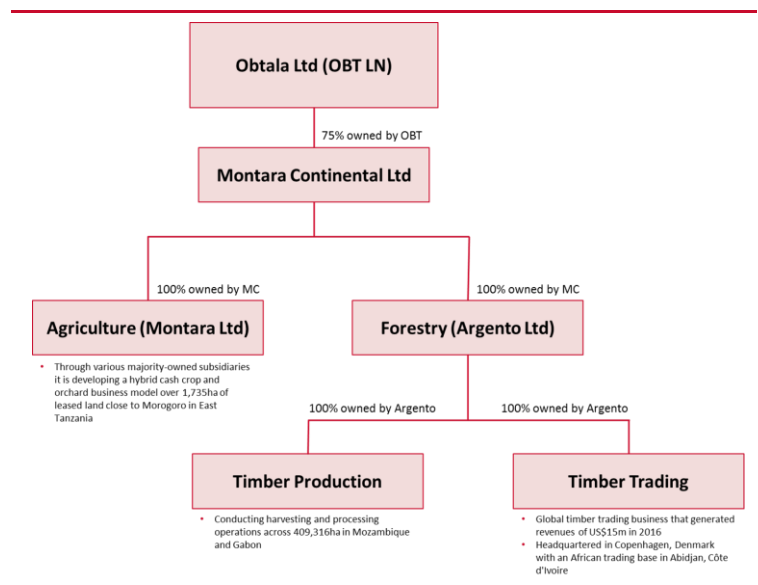
Each board will report its own P&L and the forestry division will be further segmented into timber production and timber trading.

This separation of its two main subsidiaries should make it easier for the company to attract new investors and partners into the specific areas of the OBT business that are most relevant in each case.

It will also assist in the potential sale or IPO of its agriculture division if such an opportunity arises in the future.

OBT has also made it clear that it is looking at a potential dual-listing in Hong Kong/China or Australia in 2018 as a result of the significant demand it is experiencing from Asian investors. It also announced the appointment of Martin Collins to its Board of Directors as Deputy Chairman.

Simplified Organisational Chart



SOURCE: Company Data, VSA Capital Research.

Obtala Limited - Board of Directors

- **Miles Pelham - Chairman**

Miles Pelham is Hong Kong based and has worked in finance for two decades, during which time he has held senior investment banking positions at some of the world's largest financial institutions. His experience ranges from running trading desks to bond and financial instrument management.

- **Paul Dolan - Chief Executive Officer**

Paul brings almost 30 years' experience in investment banking and finance, where he managed global portfolios in excess of US\$10bn across asset classes. Paul worked in London and Tokyo, and from 2007-2012 in Hong Kong, as Nomura's Global Head of Convertible Bonds, Co-head of Equities APAC and Chairman of the committee for Corporate Social Responsibility. In 2014, he founded Dolan Sports Management with the goals of managing the careers and wealth of elite athletes, improving the visibility of female sporting role models and financing sports facilities for the underprivileged.

- **Martin Collins - Deputy Chairman**

Martin started his career in the City with Tullett & Tokyo, Futures and Options, with five years in London, Tokyo and Singapore respectively from 1985-2000, the final five years as Managing Director and CEO of Tullett Futures Asia. On returning to the UK, he spent 12 years with Natsource Europe Limited, originating and structuring many of the world's first Emission Reduction Transactions based on UNFCCC rules within the Kyoto Protocol. Natsource managed in excess of US\$1.2bn specifically targeting the emissions market arena. Throughout his time as Managing Director, CEO and Main Board member of Natsource, Martin travelled extensively in Asia and Africa sourcing suitable projects for investment. Since 2014 he has managed his family-owned investment fund.

- **Carnel Geddes - Chief Financial Officer**

Based in South Africa, Carnel is a chartered accountant and certified fraud examiner, dually qualified in the UK and South Africa. She is an elected board member and director of the largest South African pomegranate farm company, Pomona, since 2008. Prior to this, Carnel had a 15-year career at BDO, the global audit, tax and advisory group, culminating as director, forensic services, of BDO London and partner of BDO Cape Town.

- **Kevin Milne - Non-executive Director**

Kevin is a Chartered Fellow of the CISI, with over 30 years' experience in Global Financial Services, covering both developed and developing economies. Kevin has extensive experience operating in highly regulated environments including being a member of the Executive Committee of the London Stock Exchange Group. Kevin has held a number of leadership and senior management positions in the financial sector in the UK, Europe, Asia and Australia and has built a wealth of contacts in Global Financial Markets.

- **Jessica Camus - Non-executive Director**

Jessica has extensive experience facilitating public private partnerships working with leaders from private sector, government and civil society globally, and across Sub-Saharan Africa. Jessica specialises in accelerating growth and impact for socially responsible business in frontier markets. She was previously an Associate Director at the World Economic Forum, developing numerous initiatives and programmes on building entrepreneurship ecosystems, innovation and gender and former Financial Market Executive at Thomson Reuters. Jessica holds an MA from the Graduate Institute of International Relations & Development Studies, Geneva and an MBA from the IE Business School, Madrid.

Forestry Division (Argento)

Following the acquisition of WoodBois by its 75%-owned subsidiary Argento, OBT is reorganising all of its forestry operations, including its existing operations in Mozambique, into one operation with a separate board of directors. On 29 September it reported in a Q3 operational update that harvesting operations had begun in this division.

Production

In Q3 OBT harvested 15,000m³ of logs across its Mozambique and Gabon concessions. Although a proportion of this harvest was stockpiled for processing in subsequent quarters (particularly for Q1 when Mozambique implements an annual ban on harvesting), OBT produced 4,500m³ of export grade timber. This includes a significant scaling up of timber production in Gabon, following the WoodBois business, from 900m³ in July to 1,500m³ in August.

Both of these figures are largely in-line with our estimates for total production in FY 2017 (c24,000m³ harvested, c10,000m³ timber produced). Prices were reported in the range of US\$400-900/m³, dependent on species and grade. Again, this is in-line with our expectations, with our FY 2017 average selling price forecast at US\$400/m³ in Gabon and US\$850/m³ in Mozambique.

Argento now has access to 409,316ha of concessions across Mozambique and Gabon. It is currently processing logs at a small field camp in Mozambique with a maximum capacity to produce 6,000m³ of sawn timber per year, and a sawmill in Gabon, with a maximum capacity to produce 42,000m³ of sawn timber per year, after being upgraded post-acquisition with the addition of three new horizontal saws.

The company also has a considerable amount of additional construction underway, with its 24,000m³ per year sawmill in Mozambique remaining on track for completion at the end of 2017 and its veneer factory in Gabon due to open in early 2018. OBT also plans to construct a veneer factory in Mozambique in 2018/19.

Argento Processing Sites

Processing Site	Status	Max. Sawn Timber Production (m ³ /yr)	Current Run-Rate Sawn Timber Production (m ³ /yr)	% of Max. Capacity
Field Camp (Mozambique)	Operational	6,000	Preparatory use	n/a
Sawmill (Gabon)	Operational	42,000	14,400	34%
Sawmill (Mozambique)	Under Construction (until end 2017)	24,000	n/a	n/a
Veneer Factory (Gabon)	Under Construction (until late 2017/early 2018)	18,000*	n/a	n/a
Veneer Factory (Mozambique)	Planned (construction in 2018/19)	n/a	n/a	n/a

* Veneer production; SOURCE: Company Data, VSA Capital Research.

Clearance Works Completed for Mozambique Sawmill Equipment Arriving for New Gabon Veneer Factory



SOURCE: Company Data.

Trading

Argento remains in discussions for a US\$25m trade finance facility to significantly scale its timber trading business. We understand that the company has currently signed one letter of intent and has a number of other interested parties. Site visits will occur over the next few weeks. If successful, we would expect OBT to announce a trade finance deal by the end of the year. This will significantly increase the volume of timber traded by the division and should significantly increase its revenues and profitability.

WoodBois' trading operations are currently utilising a working capital facility of US\$3m. From this limited facility, the trading operation has been able to generate annual revenues of up to US\$12m. Based on the same average trading cycle, we estimate that should Argento be able to secure an increased trade facility of US\$25m then the operation could potentially generate revenues of up to US\$100m per year. WoodBois reports that it already has sufficient staff to deal with this expected increase as well as the in-country networks to source the extra timber volumes.

Although historic trading gross margins in the division have been 5-6%, OBT believes that it can reach 7-8% in the near future, as the addition of trade finance will allow the company to focus more on its higher margin operations, which can reach as high as 25% in some instances due to a significant amount of value-added processes and supplier terms offered. Despite the substantial potential for increased revenues and margin improvement, we have conservatively assumed revenues reach just US\$13.5m in 2018 and remain stable with a fixed gross margin of 6% in future years.

Trade Finance: Revenue Sensitivity Table (US\$m)

Potential Revenue (US\$m)	Average Trading Cycle (days)				
	60	75	90	105	120
Trade Finance (US\$m)					
3	18	15	12	10	9
10	61	49	41	35	30
15	91	73	61	52	46
25	152	122	101	87	76
30	183	146	122	104	91
35	213	170	142	122	106

SOURCE: VSA Capital Estimates.

As already mentioned, OBT has created a separate board of directors for its Argento business, consisting of previous OBT employees as well as management of the recently acquired WoodBois business.

Forestry Division - Board of Directors

- **Paul Dolan - Chairman and CEO**

See above for brief biography.

- **Zahid Abbas - Co-Head of Timber Trading**

Zahid has been in the timber business for more than 20 years, and formerly worked for DLH Group from 1995 to 2003 in numerous roles, including responsibility for procurement in Africa while he was based in Abidjan from 1998 to 2002 and in charge of a €30m subsidiary. He had previously been based in France from 1995 to 1998 where he procured Brazilian hardwoods for French manufacturers. He returned to Copenhagen from 2002 to 2003 where his work included implementing and reinforcing DLH Group's Global environmental policy. Zahid is a Danish citizen and speaks five languages.

- **Jacob Hansen - Co-Head of Timber Trading**

Jacob has been in the timber business for more than 30 years. He previously worked for DLH Group, where he held various international sales and procurement roles based in France, the Middle East and Africa (Gabon, Cameroon) selling lumber produced in West Africa. Earlier in his career Jacob also operated sawmills in Sweden,

Canada, and the UK, and has also worked in hardwood procurement in the Philippines. Jacob left DLH Group to join Zahid in 2005. Jacob is a Danish citizen and speaks three languages.

- **Hadi Ghossein - Head of Production**

Prior to the acquisition by Obtala, Hadi managed WoodBois' forestry production division in Gabon since its establishment in 2016. Hadi has 25 years' experience managing forestry operations in Gabon, including as an owner of his own forestry business. Prior to his work in forestry, Hadi has served as a diplomat, travelling extensively across Africa, as well as owning various trading and real estate companies. Hadi is fluent in French and Portuguese and holds Gabonese citizenship.

- **Carnel Geddes - Chief Financial Officer**

See above for brief biography.

- **Tom Holroyd - Investor Director**

Tom is the Managing Director and Co-Founder of the Cherwell Group of companies, a private residential and mixed-use development company with over £130m of combined assets. He brings over 27 years of real estate related experience to the Argento Board, including difficult development site assembly and complex planning and physical construction, which has already been employed in the oversight of the company's major infrastructure upgrades in Mozambique and Tanzania.

- **Brian Phang - Non-executive Director**

Brian was formerly Head of the Automotive Division at Hap Seng Consolidated Berhad (HSCB), a £4bn market cap Malaysian-listed conglomerate whose core businesses include plantations, property investment and development, credit financing, automotive fertilisers trading and building materials. HSCB's automotive division is one of the largest dealers of Mercedes commercial vehicles in the world. During his time at HSCB, Brian was instrumental in the introduction of Mercedes' commercial trucks to forestry operators in Africa, proposing modifications to suit off road conditions in countries such as the Democratic Republic of Congo. Before joining HSCB, Brian managed logging operations in Malaysia for Tekala Corporation. Brian is also a trained engineer and certified Caterpillar mechanic with a BSc in Mechanical Engineering from Iowa State University.

Agriculture Division (Montara)

As a reminder, OBT is developing a hybrid cash crop and orchard model in its agriculture division.

In terms of its cash crops operation, Q3 saw the first significant melon harvest processed through OBT's upgraded packhouse with the first 70 tonnes of product exported through Mombasa, Kenya in the last month.

However, previously announced heavy rains during the growing season have significantly reduced the expected yield and therefore FY 2017 production will be less than we had initially anticipated.

In addition, production at its dried fruit processing plant has been suspended after local authorities declared that the company could no longer use wood to fire processing facilities.

However, OBT has since identified modern driers, which will allow the company to recommence its dried fruit operation in 2018.

First Loaded Container (melons)



SOURCE: Company Data.

Melon Harvest



SOURCE: Company Data.

Packhouse Upgrade



OBT had planned to have already planted 50ha of mango orchard by now but given the late arrival of rains in Tanzania, it now expects to plant this area in early 2018.

Despite uncontrollable climatic setbacks we are encouraged by the operational progress now being made, with containers being exported through Kenya within days of the commissioning of the upgraded packhouse. The decision to create a separate board of directors for its agriculture division should allow a greater degree of operational oversight and focus. It will also make it easier to receive investment from institutions looking for ways to direct funds to support sustainable agricultural development in East Africa.

Agriculture Division - Board of Directors

- **Martin Collins - Chairman and Chief Executive Officer; Paul Dolan – Director; Cernel Geddes – Chief Financial Officer** - see above for brief biographies.

Financial Forecasts

Following its interim results and corresponding Q3 operational update we have made a number of changes to our forecasts, including reducing our revenue forecast for both years. We have also reorganised our revenue segments along the same lines as those used by the company to allow easier comparison of progress versus our expectations for each division in the future.

Profit & Loss (US\$m)

Profit & Loss (US\$m)	Dec-15A	Dec-16A	Dec-17E	Dec-18E	Dec-17E	Change	Dec-18E	Change
Forestry (Production)			4.4	27.0				
Forestry (Trading)			5.5	13.5				
Agriculture			0.5	2.7				
Total Revenue	0.9	0.6	10.3	43.2	13.7	-24.5%	47.1	-8.2%
Cost of Sales	(0.2)	(0.1)	(7.8)	(26.3)	(10.0)		(29.0)	
Gross Profit	0.7	0.5	2.5	16.9	3.7	-32.3%	18.1	-6.5%
<i>Gross Profit Margin</i>	77.8%	77.6%	24.3%	39.1%	27.1%		38.4%	
SG&A Expenses	(3.4)	(4.3)	(5.1)	(5.7)	(5.1)		(5.7)	
Loss on derivative financial instruments	(1.7)	0.0	0.0	0.0	0.0		0.0	
EBITDA (adj)	(4.4)	(3.8)	(2.5)	11.2	(1.3)	-89.1%	12.4	-9.5%
Depreciation	(0.5)	(0.9)	(0.6)	(2.5)	(0.6)		(2.5)	
EBIT (adj)	(4.9)	(4.7)	(3.2)	8.7	(2.0)	-60.9%	9.9	-11.8%
Exceptionals	(11.5)	0.0	32.3	0.0	0.0		0.0	
EBITDA (rpt)	(15.8)	(3.8)	29.8	11.2	(1.3)		12.4	
EBIT (rpt)	(16.3)	(4.7)	29.1	8.7	(2.0)		9.9	
Gain on Disposal of Investment	1.6	0.0	0.0	0.0	0.0		0.0	
Finance Income	0.0	0.0	0.0	0.0	0.0		0.0	
Finance Expense	(0.1)	(0.5)	0.0	(0.2)	0.0		0.0	
PBT (rpt)	(14.8)	(5.3)	29.2	8.6	(2.0)		9.9	
PBT (adj)	(3.3)	(5.3)	(3.2)	8.6	(2.0)	-61.4%	9.9	-13.6%
Tax Rebate (Expense)	(6.9)	0.0	(0.5)	(2.6)	(1.6)		(3.0)	
PAT (rpt)	(21.7)	(5.3)	28.7	6.0	(3.5)		7.0	
PAT (adj)	(10.2)	(5.3)	(3.7)	6.0	(3.5)	-4.0%	7.0	-13.6%
Loss from Discontinued Operations	(1.1)	(0.4)	0.0	0.0	0.0		0.0	
Total Profit/(Loss) for the Year	(22.8)	(5.6)	28.7	6.0	(3.5)		7.0	
Attributable to (rpt):								
Equity Holders	(25.7)	(4.8)	20.6	2.9	(4.0)		3.4	
Minority Interests	2.9	(0.8)	8.1	3.1	0.5		3.6	
<i>Ordinary Shares at Year End (m)</i>	263.3	273.3	293.3	293.3	313.5		313.5	
<i>Diluted Shares at Year End (m)</i>	263.3	273.3	422.9	422.9	428.2		428.2	
Basic Wtd Av Shs (m)	263.2	263.8	283.3	293.3	290.5		313.5	
Basic EPS (rpt, US\$c)	(9.8)	(1.8)	7.3	1.0	(1.4)		1.1	
Basic EPS (adj, US\$c)	(3.9)	(2.0)	(1.3)	2.1	(1.4)		1.1	
Estd dilutive shares	0.0	0.0	129.6	129.6	114.7		114.7	
Wtd Av Dil Shs (m)	263.2	263.8	412.9	422.9	405.2		428.2	
Diluted EPS (rpt, US\$c)	(9.8)	(1.8)	5.0	0.7	(1.0)		0.8	
Diluted EPS (adj, US\$c)	(3.9)	(2.0)	(0.9)	1.4	(1.0)		0.8	
Dividend per share (US\$c)	0.0	0.0	0.0	0.0	0.0		0.0	

SOURCE: Company Data, VSA Capital Estimates.

Balance Sheet (US\$m)

Balance Sheet (US\$m)	Dec-15A	Dec-16A	Dec-17E	Dec-18E
Assets				
Cash & Equivalents	1.0	3.4	2.9	3.5
Trade and Other Receivables	0.4	0.2	4.8	3.6
Inventories	0.9	1.0	3.2	2.2
Current Tax Receivable	0.0	0.0	0.0	0.0
Total Current Assets	2.3	4.7	10.9	9.2
Net PPE	2.8	1.9	13.9	16.6
Biological Asset	174.5	174.5	227.8	227.8
Goodwill & Intangibles	0.0	0.0	0.0	0.0
Available for Sale Investments	0.1	0.0	0.0	0.0
Total Long-term Assets	177.5	176.5	241.7	244.4
Total Assets	179.7	181.1	252.6	253.6
Liabilities + Equity				
Short-Term Debt	0.0	0.0	(0.6)	(0.6)
Trade Payables & Accruals	(3.3)	(0.7)	(5.0)	(3.6)
Accruals & Other Payables	0.0	(9.2)	0.0	0.0
Financial Investment Liabilities	0.0	0.0	0.0	0.0
Current Tax Liabilities	0.0	0.0	(0.1)	(0.1)
Total Current Liabilities	(3.3)	(9.8)	(5.7)	(4.3)
Deferred Tax	(55.8)	(55.8)	(72.9)	(72.9)
Preference Share Liability	0.0	0.0	(9.4)	(9.4)
Provision for Contingent Acquisition Liability	0.0	0.0	(5.0)	(4.0)
Long-Term Debt	0.0	0.0	(1.1)	(1.1)
Total Long-term Liabilities	(55.8)	(55.8)	(88.4)	(87.4)
Total Liabilities	(59.1)	(65.7)	(94.0)	(91.7)
Share Capital (ord. shares of US\$1.5c par value)	4.1	4.2	4.5	4.5
Share Capital (pref. shares of US\$350 par value)	0.0	0.0	9.9	9.9
Share Premium	18.0	18.0	22.3	22.3
Reserves	44.0	44.3	44.3	44.3
Retained Earnings (Deficit)	25.1	20.6	41.2	41.5
Minorities	29.5	28.4	36.4	39.5
Total Equity	120.6	115.4	158.6	162.0

SOURCE: Company Data, VSA Capital Estimates.

Cash Flow Statement (US\$m)

Cash Flow Statement (US\$m)	Dec-15A	Dec-16A	Dec-17E	Dec-18E
<u>Cash From Operations</u>				
EBIT (rpt)	(16.3)	(4.7)	29.1	8.7
Depreciation & Amortisation	0.5	0.9	0.6	2.5
EBITDA (rpt)	(15.8)	(3.8)	29.8	11.2
Biological Adjustment	(13.2)	0.0	0.0	0.0
Impairment of Assets	24.6	0.0	0.0	0.0
Gain from Bargain Purchase	0.0	0.0	(37.3)	0.0
Loss on Derivative Financial Instruments	1.7	0.0	0.0	0.0
Loss on Disposal of Subsidiary	0.1	0.4	0.0	0.0
Contingent Acquisition Expense	(0.1)	0.0	5.0	0.0
<u>(Increase) decrease in assets:</u>				
Trade and Other Receivables	7.0	0.2	(0.6)	1.3
Inventories	1.2	(0.2)	0.4	1.0
<u>Increase (decrease) in liabilities:</u>				
Trade Payables & Accruals	(11.2)	(2.3)	0.4	(1.4)
Other Payables	0.0	9.2*	(9.2)*	0.0
Cash From Operations	(5.7)	3.4	(11.6)	12.2
Income Tax Paid	0.0	0.0	(0.5)	(2.6)
Interested Received/(paid)	(0.1)	(0.5)	0.0	(0.2)
Net Cash From Operations	(5.7)	2.9	(12.1)	9.4
<u>Cash From Investments</u>				
Purchase of PPE	(0.0)	(0.5)	(5.4)	(5.2)
Net cash outflow on the Acquisition of Subsidiary	0.0	0.0	(3.4)	(1.0)
Cash From Investments	(0.0)	(0.5)	(8.8)	(6.2)
<u>Cash From Financing</u>				
Proceeds from Issue of Ordinary Shares (net)	0.0	0.0	1.1	0.0
Proceeds from the Issue of Preference Shares	0.0	0.0	19.3**	0.0
Preference Dividends Paid	0.0	0.0	0.0	(2.6)
Proceeds from Sale of Investments	1.6	0.0	0.0	0.0
Proceeds from Loans	0.0	0.0	0.0	0.0
Repayment of Loans	0.0	0.0	0.0	0.0
Cash From Financing	1.6	0.0	20.3	(2.6)
Change in Cash	(4.1)	2.4	(0.5)	0.6
Cash and cash equivalents at the beginning of the year	5.1	1.0	3.4	2.9
FX Adjustments	0.0	0.0	0.0	0.0
Cash and cash equivalents at the end of the year	1.0	3.4	2.9	3.5

* The company received a portion of the cash from its preference share raise in FY 2016 before the associated preference share certificates were issued and therefore this incoming cash was recorded as an 'Other Payable' in its FY 2016 results. We have assumed that this will be fully reversed in FY 2017 (with the cash contribution being replaced by Proceeds from the Issue of Preference Shares); ** Split between Preference Share Capital and Preference Share Liability on the Balance Sheet;

SOURCE: Company Data, VSA Capital Estimates.

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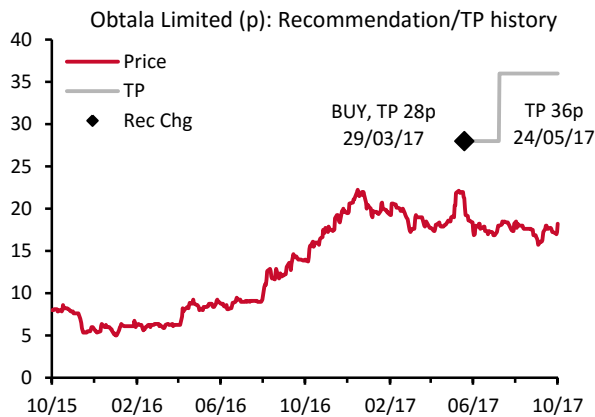
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Equities breakdown: 31 December 2016	Spec. BUY	BUY	HOLD	SELL
Overall equities coverage	25.0%	75.0%	0.0%	0.0%
Companies to which VSA has supplied investment banking services	25.0%	75.0%	0.0%	0.0%

Recommendation and Target Price History



SOURCE: FactSet data, VSA Capital estimates.

Valuation basis

We have valued OBT using a 10-year discounted cash flow valuation.

Risks to that valuation

The main risks to the OBT business model are political, commercial and climate-related.

This recommendation was first published on 29 March 2017.