Ocean Wilsons Holdings

Wilson Sons' Q1 shows further resilience

Outlook & WSON Q1 results

Investment companies

Ocean Wilsons (OCN) is an investment holding company with a controlling interest in Wilson Sons (WSON), a long-established maritime services company in Brazil, and a globally diversified investment portfolio. Both are managed with a long-term perspective. Wilson Sons' Q117 results were further evidence of the resilience of this business in the face of the Brazilian economic recession and, while the near-term outlook is uncertain, recent investment in the business and extension of the Salvador container terminal concession help to position the business well for the future.

Year end	Revenue ($m)	PBT* ($m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/15	508.9	69.0	43.7	63	29.5	4.9
12/16	457.2	117.5	127.4	63	10.1	4.9
12/17e	474.2	107.9	112.8	64	11.4	5.0
12/18e	498.8	114.5	121.9	67	10.6	5.2

Note: *PBT and EPS (fully diluted) exclude exceptional items.

Q117 update and Wilson Sons result

In May Ocean Wilsons issued its first quarter trading update and Wilson Sons reported its Q117 results. WSON had previously reported somewhat lower revenues and EBITDA for FY16 but a stronger performance from the towage activity and cost controls contained the downturn. In Q117 strength in the container terminal business contributed to an overall 16% advance in revenues (helped by strength in the Brazilian real) and 8% increase in EBITDA in part reflecting the beneficial effect of the diversification within Wilson Sons' business mix. The Ocean Wilsons update additionally highlighted a stronger first quarter for the investment portfolio, which increased in value by 6% after a flat FY16.

Outlook becomes more clouded in the near term

The macro background has recently become more uncertain in Brazil following the release of a tape in which President Temer allegedly condoned bribery. This is seen as having the potential to contribute to his departure, stalling progress on a reform agenda that has supported business and market confidence in Brazil. However, if the government stays in place, then there are tentative signs of economic recovery and this together with global growth could create an increasingly favourable background for the trade-related towage and container ports activities. Oil and gas-related and shipyard businesses continue to face challenging markets, but costs are being controlled and in the longer term these segments have good recovery potential.

Valuation: Wide discount

We monitor a look-through valuation for Ocean Wilsons, taking the market value of its stake in Wilson Sons and the latest published portfolio valuation. Currently the shares trade at a discount of 35% to this value and, while this is not exceptional compared with recent discounts, it still appears distinctly cautious in view of the long-term growth potential and recent resilience of the business.

13 June 2017

Price	**1015.00p**
Market cap	**£359m**
	£/US$1.27
Net debt (US$m) at 31 December 2016 including finance leases & excluding JV	263.1
Shares in issue	35.4m
Free float	36%
Code	OCN
Primary exchange	LSE
Secondary exchange	Bermuda

Share price performance

%	1m	3m	12m
Abs	(7.1)	(0.5)	28.1
Rel (local)	(7.8)	(3.0)	5.1
52-week high/low		1115.00p	740.00p

Business description

Ocean Wilsons Holdings is an investment company based in Bermuda. It has a controlling shareholding in Wilson Sons, a quoted maritime services company in Brazil, and holds a portfolio of international investments.

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Brazilian maritime services and international portfolio

Ocean Wilsons is an investment company based in Bermuda with two main assets: a controlling interest in Wilson Sons, a quoted Brazilian maritime services company; and an international investment portfolio held in its Ocean Wilsons Investments (OWIL) subsidiary. Ocean Wilsons is listed in Bermuda and London, while Wilson Sons (WSON, 58.25% owned) is listed on the Sao Paolo and Luxembourg exchanges. On a look-through basis, including Wilson Sons' market value, the NAV split between WSON and the investment portfolio is 64:36.

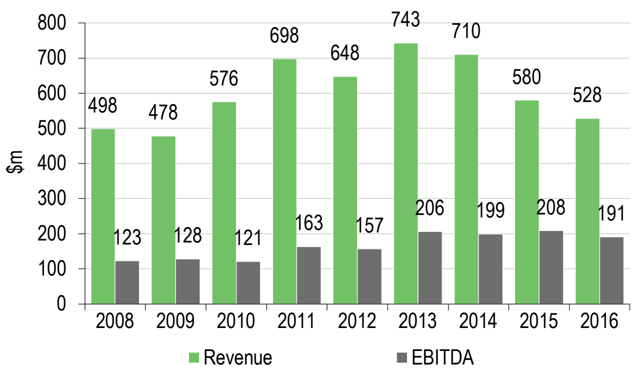
WSON is one of the largest providers of maritime services in Brazil, with activities including harbour and ocean towage, two container terminals, offshore oil and gas support services and shipyard, ship agency and logistics services. Towage (49%), container terminals (29%) and offshore support vessels (17%) together account for over 95% of pro forma EBITDA (including the 50%-owned offshore joint venture). Trends in Brazilian trade volumes and the oil industry are important drivers of revenue and profits. Direct exposure to the oil industry through Brasco, its oil terminal business, and the offshore support vessels joint venture accounted for 19% of EBITDA in 2016.

WSON reports in US dollars and earns c 50% of revenues in that currency, while most costs are in Brazilian reals; this moderates the impact of foreign exchange movements at the EBITDA level. This is evident in Exhibit 1, which shows the trend in revenue and EBITDA since 2008. This includes the period of the global financial crisis and shows the impact on dollar-denominated revenues of Brazil's own economic difficulties and the accompanying currency weakness. The mix of currency exposures and diversification of activities within the business has contributed to the resilience of profits against a challenging background.

OWIL's investment objective is to achieve long-term capital growth and preserve capital by investing in a diversified global portfolio across three categories: core regional funds, a long-term growth category (investing in technology and biotech for instance) and a diversifying category to provide protection against cyclical changes. The investment manager is Hanseatic Asset Management.

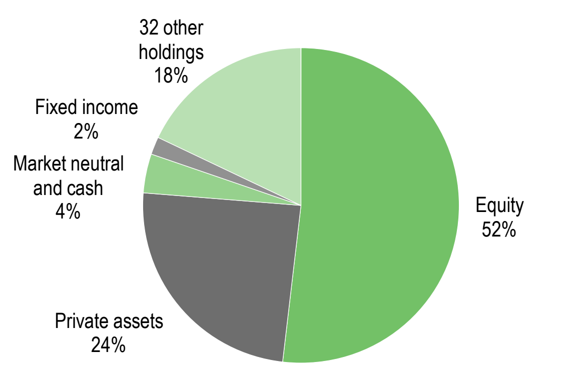
Exhibit 2 gives an analysis of the portfolio's top 30 holdings at the end of 2016 illustrating that the majority of exposure is to equity investments (including the majority of the 32 other holdings). Nearly a quarter of the exposure shown is to private assets, reflecting the manager's view on the potential returns and the long-term horizon employed in considering investments. Not shown on the pie chart, the portfolio has a significant emerging markets weighting, with funds identified as having an explicit mandate in these markets accounting for 18% of the total, of which private assets accounted for 13 percentage points.

Exhibit 1: Wilson Sons' longer-term financial record



Source: Wilson Sons

Exhibit 2: OWIL analysis of top 30 holdings (end 2016)



Source: Ocean Wilsons Holdings

Q117 update

In mid-May Ocean Wilsons released its quarterly update for the first quarter coincident with the release of Q1 figures from Wilson Sons. Wilson Sons reported an overall increase in revenues of 16%, which was largely a reflection of the strengthening of the real (the average rate appreciated by 24% from Q116) and in Brazilian real terms (affected by the weaker dollar) there was a reduction of 7%. EBITDA in dollar terms increased 3% or 7% including the offshore business on a pro forma basis. This was a resilient performance against the backdrop of the still subdued economy, even before Brazil's latest political difficulties. After a flat FY16, the Q1 performance of the OWIL portfolio strengthened markedly with the value of the portfolio increasing 6% since the end of December.

Wilson Sons' Q1 results

Within the overall revenue gain of 16% there were considerable variations, with the strongest growth compared with Q116 reported for **container terminals** (+49%) where most revenues (and all costs) are real denominated; the increase was 20% in local currency terms. Here overall volume for the terminals was up 4.8%, but within this full containers saw a stronger gain of 8.3%, giving a richer mix for revenues as the charge for full containers is roughly twice that for empty. Import volumes were strong at both terminals, boosted in the case of Salvador by imports of solar panels for a large project (shipments completed during the quarter), while at Rio Grande the plastics sector was a strong area. Reflecting these positive factors the container terminal margin increased by more than four percentage points compared with the prior year period.

Exhibit 3: Wilson Sons segmental analysis

US$m unless stated	Q116	Q216	Q316	Q416	Q117	Q1 year-on-year change
Net revenues						
Container Terminals ("TECONs")	29.3	36.9	43.4	38.8	43.8	49%
Oil & Gas Terminal ("Brasco")	5.1	5.9	4.2	4.2	3.7	-27%
Towage	48.6	50.8	54.1	52.3	48.4	0%
Shipyards	4.9	6.1	9.3	6.1	6.2	27%
Shipping Agency	3.3	3.4	3.6	3.6	2.7	-18%
Logistics	10.6	9.9	10.9	11.9	12.9	22%
Offshore*	14.7	16.9	19.1	20.2	17.3	18%
Total	**116.5**	**129.9**	**144.6**	**137.1**	**135.0**	**16%**
EBITDA						
Container Terminals ("TECONs")	11.6	15.1	20.2	13.4	19.4	67%
Oil & Gas Terminal ("Brasco")	1.3	1.2	0.4	0.4	-0.1	-108%
Towage	24.0	24.4	28.3	27.1	22.6	-6%
Shipyards	-0.2	1.8	2.0	0.3	0.6	N/A
Shipping Agency	1.0	0.5	0.9	2.1	0.3	-70%
Logistics	1.0	-1.6	-0.8	-0.9	-0.2	-120%
Corporate	-4.3	-4.6	-4.7	-5.7	-7.1	65%
Offshore *	6.6	8.9	10.2	11.1	8.3	26%
Total	**41.0**	**45.7**	**56.5**	**47.8**	**43.8**	**7%**
EBITDA margins (%)						
Container Terminals ("TECONs")	39.6	40.9	46.5	34.5	44.3	
Oil & Gas Terminal ("Brasco")	25.5	20.3	9.5	9.5	-2.7	
Towage	49.4	48.0	52.3	51.8	46.7	
Shipyards	-4.1	29.5	21.5	4.9	9.7	
Shipping Agency	30.3	14.7	25.0	58.3	11.1	
Logistics	9.4	-16.2	-7.3	-7.6	-1.6	
Offshore *	44.9	52.7	53.4	55.0	48.0	
Total	**35.2**	**35.2**	**39.1**	**34.9**	**32.4**	

Source: Wilson Sons, Edison Investment Research. Note: *Offshore is OCN's pro forma 50% share of the JV.

Although harbour manoeuvres increased on the prior year quarter, overall **towage** revenues were flat because special operations income (for services such as firefighting) was down by 75%. The reduction in this unpredictable but high-margin revenue was the driver of the three percentage point decline in segmental margin.

For the **offshore** activity (50% owned joint venture, Wilson Sons Ultratug Offshore) the comparison benefited from contracts for five new vessels that started during 2016. Two of these were long-term contracts for the larger vessels, Larus and Pinguim, while the remaining three contracts were short-term, expiring around the end of 2017. Helped by higher than average day rates for Larus and Pinguim, dollar revenues increased by 18% although in local currency this became a reduction of 6%. Cost control measures supported a three percentage point margin gain versus Q116.

Among the other activities we note the understandably sharp reductions in both revenue and profit for **Brasco** in the context of a difficult oil and gas services market. Customer attention is focused on cost-containment and production rather than exploration, leading to a reduction in the number of vessel turnarounds at the support base. **Shipyard** turnover increased compared with the prior year and was in line sequentially with activity, buoyed by a focus on repair work on offshore vessels and construction of smaller vessels. Profitability improved helped by cost control, including reductions in the workforce.

Exhibit 4: Operational metrics (to end May)

	5M16	5M17	Change (%)
Container Terminals (TEU '000)			
Tecon Rio Grande			
Full	186.5	186.5	4.9
Empty	103.7	103.7	-6.5
Total	290.2	290.2	0.5
Tecon Salvador			
Full	93.4	93.4	3.2
Empty	30.4	30.4	1.9
Total	123.8	123.8	2.9
Grand total (full)	279.9	279.9	4.3
Grand total (empty)	134.2	134.2	-4.7
Grand total	414.0	414.0	1.2
Towage			
Number of Harbour manoeuvres	24,926	24,926	6.7
Avg. Deadweights ('000 tons)	70.0	70.0	10.1
Offshore service vessels (JV)			
Number of own OSVs - End of period	23	23	15.0
Number of own OSV Days in Operation/Contract Days	2,573	2,573	4.7

Source: Wilson Sons

OWIL investment portfolio

At the time of the Q1 update Ocean Wilsons simply indicated the value of the investment portfolio, providing fuller details of performance and composition at the time of the half and full year results. As noted earlier and illustrated in Exhibit 2, the portfolio has a bias to equities and significant exposures to private assets and emerging markets, reflecting the long-term approach taken to managing the investments. During 2016 portfolio performance was subdued with a return of +0.3% for the year compared with global equity markets, which rose 7.9%, or emerging markets, up 11.2% (both measured by MSCI indices). Performance was held back by the weak performance of some of the larger long/short fund holdings. In the first three months of the current year the performance of these funds revived and the portfolio value rose by 6% to $253.2m (global equity index +5.85% and emerging market index +11.14% over the same period).

Outlook

The Brazilian economy faces increased uncertainty following the May disclosure of a tape allegedly implicating President Michel Temer in condoning bribes. If this development leads to the departure of Temer and change of government, it could stall efforts to push through important reforms, including measures to contain the costs of a generous pension system. While Temer has denied allegations and remains in place following the initial reaction to the news, the uncertain outlook is likely to have a detrimental impact on business confidence.

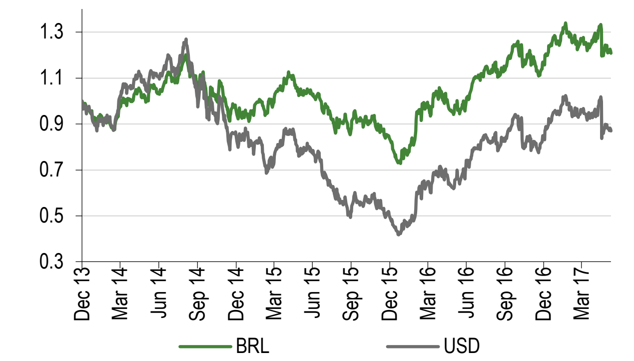
This was an unfortunate outcome after a period of business optimism following Temer's appointment that helped to stimulate a positive trend in foreign exchange and equity markets (exhibits 5 and 6). It coincided with the announcement that the Brazilian economy had recorded GDP growth of 1% in Q117 compared with Q416 after eight quarters of contraction (see Exhibit 7). A stabilisation of the political situation could see a continuation of a more positive trend in the economy, in line with the IMF's April forecast, but further political disruption could have a chilling effect on the nascent recovery.

Nevertheless, there is still a case for looking forward to a more positive longer-term economic trend, particularly if global economic growth is in line with forecasts such as those from the IMF and the recently published outlook from the World Bank, which forecasts global GDP growth of 2.7% this year and 2.9% in 2018 and 2019. For Brazil the World Bank growth estimates are +0.3% for 2017 and +1.8% and 2.1% for the following two years. If delivered this should progressively feed into a stronger trend in the volume of imports and exports (Exhibit 8), which would be beneficial for Wilson Sons' **towage and container port operations**.

Exhibit 5: Brazilian real/US dollar exchange rate

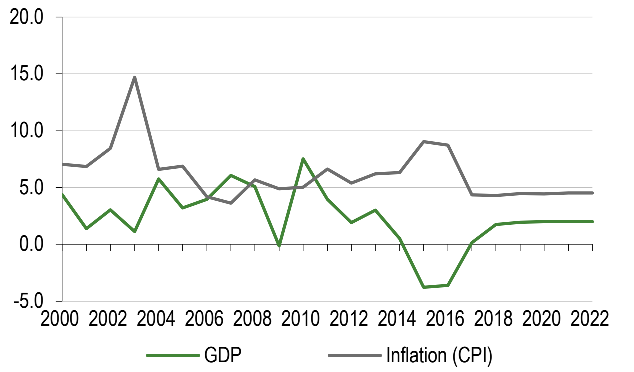
Source: Bank of England

Exhibit 6: Bovespa index (1 January 2014 = 1)



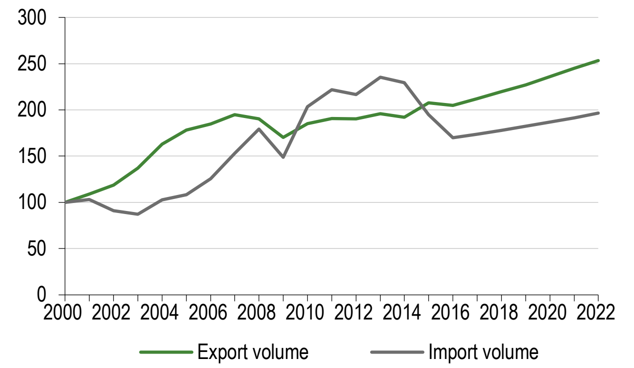
Source: Bloomberg

Exhibit 7: Brazil GDP growth and inflation



Source: IMF, WEO April 2017

Exhibit 8: Imports and exports of goods



Source: IMF, WEO April 2017

Reflecting the expectation of continued long-term growth in trade volumes and the secular trend towards containerisation, Wilson Sons has invested in new crane equipment for both container terminals; these are also expected to yield near-term efficiency gains. Last November the company signed an important renewal of its Salvador concession, which extended its life by a further 25 years to March 2050. As a condition of the extension Wilson Sons will carry out minimum expansion and maintenance spending at the terminal. Construction of the first phase of the expansion is expected to start towards the end of the current year or the beginning of 2018 and to be completed in the second half of 2019 at a cost of c US$100m. This phase of the investment will provide a 423m extension to the quay giving a total length of 800m and allowing the terminal to accommodate the increasingly large vessels that are an industry feature and reduce vessel waiting times. The second and third phases need not be completed until 2030 and 2034, respectively, providing scope to time expansion to match demand. There was a potential hold up in the shape of a regional federal court decision during the first quarter requesting suspension of the expansion, but in May the court ruled in favour of the appeal against this injunction and Wilson Sons is taking the necessary steps to ensure it takes place as planned.

As noted the towage business stands to benefit from a longer-term return to stronger growth in Brazilian trade volumes. There are competitive pressures to monitor, including relatively new entrant Svitzer (owned by Maersk), but Wilson Sons operates the largest fleet of tugboats in Brazil with an operational fleet of 75 vessels. This covers 30 ports compared with 13 for the next largest competitor (Saam Smit) and together with the central monitoring facility in Sao Paolo allows the company to offer a high level of service that helps sustain its market leading position.

The background for the **oil-related activities** at Wilson Sons remains subdued, although for most of the last 12 months Brent crude has maintained a price level of around $50 against a background of high stock levels, with OPEC production restraint being partly offset by the resilience of US shale production. The current focus for Petrobras in Brazil is on production rather than exploration, but completion of its programme of debt-reducing asset disposals combined with moves to allow non-domestic companies to operate with lower levels of local content should be favourable for activity levels in the oil sector in due course. On a longer view the potential further development of the pre-salt reserves provides an encouraging background for Wilson Sons' oil-related services. The company takes a cautious view on the near term, expecting 2017 and 2018 to be a period of low activity, with its focus remaining on cost containment and winning new contracts for the four platform support vessels currently off-hire and a further four that are set to complete contracts in 2018.

While the **shipyard** activity reported an improved order book and higher revenues and was profitable in the first quarter, the company believes it is too early to identify a clear improving trend and does not expect a return to the activity levels of earlier years in the near term.

The nearer-term market background for the **OWIL portfolio** remains uncertain and in the March annual report the manager pointed to a wide range of potential outcomes in 2017, reflecting a combination of macroeconomic and geopolitical risks for both equities and bonds. The manager acknowledges the risks but expects positive but low returns in equity markets, while seeing bond markets as unattractive. Hence the bias to equities remains and within this to emerging markets. The manager favours adding to assets that have the potential to generate positive returns even when equity and bond markets are falling, including absolute return funds, event driven funds and macro hedge funds.

Financials

We have adjusted our forecasts to reflect the first quarter and FY16 figures from Wilson Sons and Ocean Wilsons, respectively, and the key changes are shown in Exhibit 9.

Exhibit 9: Changes to estimates

	Revenue (US$m)			PBT (US$m)			EPS (c)			DPS (c)		
	Old	New	Change	Old	New	Change	Old	New	Change	Old	New	Change
2017e	477.7	474.2	-0.7%	118.0	107.9	-8.5%	114.4	112.8	-1.5%	64.0	64.0	0.0%
2018e	500.9	498.8	-0.4%	134.4	114.5	-14.8%	126.3	121.9	-3.5%	67.0	67.0	0.0%

Source: Edison Investment Research

Changes within the operational numbers are relatively modest, with the main adjustments being somewhat more conservative forecasts for the oil and gas terminal and shipyards businesses, reflecting the market background. Slightly higher estimates elsewhere largely offset these changes. We have also factored in the impact of the Brazilian federal government's removal of a payroll tax exemption; this is expected to cost approaching $6m in the current year and $12m in 2018. There will also be a c $0.5m and $1.0m negative effect for the offshore JV. Exhibit 10 sets out the recent annual revenue analysis for Wilson Sons together with our estimates for 2017 and 2018.

Exhibit 10: Wilson Sons segmental revenue pro-forma analysis and estimates

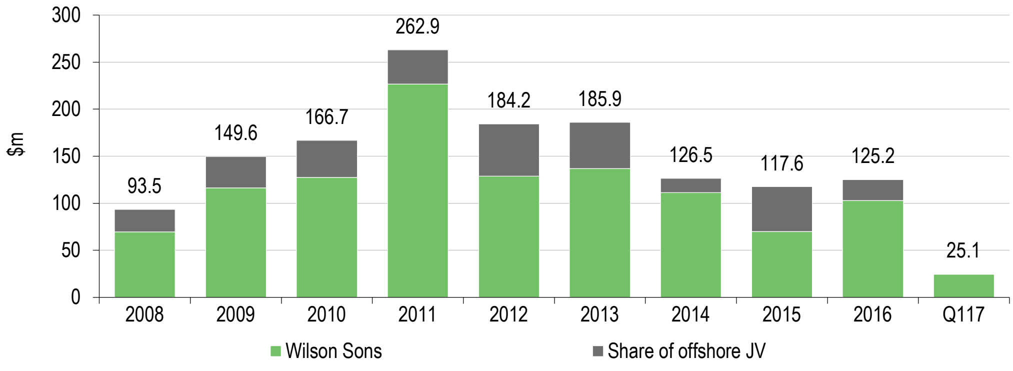
US$m	2014	2015	2016	2017e	2018e
Container Terminals	189.6	152.5	148.4	160.5	173.6
Oil and Gas Terminal ("Brasco")	39.0	23.5	19.4	16.9	17.7
Towage	211.0	213.7	205.8	214.1	222.7
Shipyards	103.4	53.9	26.4	24.6	25.5
Shipping Agency	17.1	15.4	13.9	14.0	14.2
Logistics	73.4	49.9	43.3	44.2	45.0
Offshore*	76.9	71.0	70.9	71.3	75.2
Total	**710.4**	**579.9**	**528.1**	**545.5**	**574.0**

Source: Edison Investment Research. Note: *Offshore is OCN's pro forma 50% share of the JV.

At the end of the first quarter, Wilson Sons had net debt of $262.3m (compared with $265.4m at year-end) with low interest costs and a long tenor (86% had over a year to maturity). Cash and equivalents stood at $118.0m versus $112.4m at the year end, reflecting operational cash generation. The JV had additional net debt of $254.4m. Including this on a 50% pro forma basis, net debt was 2.7x trailing 12-month pro forma EBITDA.

Our financial forecasts for OCN are shown in Exhibit 15, followed by an analysis of the debt structure. Cash flows and debt are most affected by Wilson Sons as the operating business in the group. The towage and offshore vessels businesses have access to low-cost finance from the Brazilian government via the Fundo da Marinha Mercante, which is why there is a relatively high level of debt to equity when the JV share of debt is included (70% at 31 December 2016).

Exhibit 11: Capital expenditure history at Wilson Sons



Source: Wilson Sons

Wilson Sons' capital spending (including 50% of the offshore vessels JV on a pro forma basis) was over $150m for the four years between 2010 and 2013 as the company invested in its port terminals, shipyards, towage fleet and offshore support vessels, peaking in 2011 at $262.9m. Spending then averaged $123m between 2014 and 2016 following completion of the major expenditure programmes, although the 2016 spend of $125.2m was higher than 2015 ($117.6m), driven by tugboat acquisitions and purchase of port equipment. The guidance for 2017 is c $80m with limited spending on the Salvador expansion likely to be incurred this year. The FY18 and FY19 figures are likely to be higher as roughly $50m per annum is spent at the Salvador terminal; we assume an overall capital spending figure of approximately $100m in each year. Thereafter, we would expect spending to return to somewhat lower levels.

Valuation

The market value of Ocean Wilsons' 58.25% stake in Wilson Sons is equivalent to 99% of its own market capitalisation, highlighting the cautious valuation applied to the company. A look-though valuation for Ocean Wilsons combining the last reported OWIL portfolio value with the market value of the Wilson Sons stake is shown in Exhibit 12. The current share price stands at a discount of 35% to this value, which seems wide even acknowledging that the market may regard this as partly justified by limited liquidity and the Salomon family's majority voting control through direct and Hansa Trust holdings in the company. Positively this family ownership position enables both OWIL and Wilson Sons to maintain their long-term approach to investment and operating the business. Having said this, we note that historically family-controlled businesses have been sold, an example being Rea Brothers where William Salomon was chairman prior to its sale to Close Brothers.

Exhibit 12: Ocean Wilsons' share price discount to look-through valuation

	p	£m
Last OWIL value per Ocean Wilsons share (end April 2017)	565.6	200.0
Wilson Sons market value per Ocean Wilsons share	1,005.5	355.6
Ocean Wilsons look-through value	**1,571.0**	**555.6**
Ocean Wilsons share price/market cap	1,020.0	360.7
Discount	**-35%**	**-35%**

Source: Thomson Datastream, Ocean Wilsons, Edison Investment Research. Note: US$1.266/£.

Our next table compares Wilson Sons with a selection of Brazilian and international port and shipping companies. The range of earnings and EV/EBITDA multiples is wide and the businesses are differentiated in terms of activity and geographical exposure, but Wilson Sons trades at the lower end of the range and is broadly in line in terms of price to book value.

Exhibit 13: Wilson Sons' selected comparators

Company	Market cap (US$m)	P/E FY1 (x)	P/E FY2 (x)	EV/EBITDA FY1 (x)	EV/EBITDA FY2 (x)	Price to book (x)
Wilson Sons	**772**	**9.4**	**N/A**	**5.4**	**N/A**	**1.4**
Santos Brasil	401	39.8	12.4	10.6	8.3	0.9
JSL (BRA)	439	24.3	9.2	5.2	4.5	2.2
China Merchants (HKG)	7,288	13.4	13.0	20.1	19.1	0.9
Dalian Port (HKG)	4,204	N/A	N/A	N/A	N/A	0.8
Hamburger Hafen (GER)	1,622	21.8	20.5	6.3	6.2	2.6
Port Of Tauranga (NZL)	2,175	37.9	35.5	24.0	22.4	3.5
Sinotrans (HKG)	2,262	9.6	9.1	7.1	6.5	1.0
Weighted average		**14.0**	**12.1**	**12.2**	**11.2**	**1.4**
Average	**2,155**	**22.3**	**16.6**	**11.2**	**11.2**	**1.7**

Source: Bloomberg. Note: Prices as at 12 June 2017.

Finally, for reference, we include a table showing the recent performance of the same group of comparators. This shows sharply differentiated performances between the companies, arguably reflecting their varied exposures, but for all periods except over one month Wilson Sons' shares have outperformed the average and they have also outperformed the other Brazilian companies over all the periods shown.

Exhibit 14: Wilson Sons' and comparators' performance

Company	1 month	3 month	1 year	YTD	From 12m high
Wilson Sons	-6%	8%	12%	7%	-10%
Santos Brasil	-13%	-11%	N/A	-17%	-39%
JSL (BRA)	-11%	-14%	-27%	-20%	-40%
China Merchants (HKG)	0%	1%	7%	13%	-9%
Dalian Port (HKG)	-1%	-6%	-1%	-1%	-20%
Hamburger Hafen (GER)	9%	2%	37%	12%	-2%
Port Of Tauranga (NZL)	4%	4%	13%	15%	-2%
Sinotrans (HKG)	4%	8%	17%	11%	-10%
Average	**-2%**	**-1%**	**8%**	**2%**	**-17%**

Source: Bloomberg. Note: Performance to 12June 2017.

Exhibit 15: Financial summary

$m	2012	2013	2014	2015	2016	2017e	2018e
Year end December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS							
Revenue	610.4	660.1	633.5	508.9	457.2	474.2	498.8
Cash costs	(469.2)	(492.4)	(479.3)	(344.6)	(308.5)	(325.9)	(341.6)
EBITDA	141.2	167.7	154.2	164.3	148.7	148.3	157.2
Depreciation and amortisation	(55.9)	(58.7)	(65.1)	(53.2)	(52.6)	(55.2)	(57.3)
Operating Profit	85.3	109.1	89.1	111.1	96.1	93.1	99.9
Profit/loss on PPE	(0.5)	10.0	0.3	(1.3)	0.7	0.0	0.0
Share of results of JVs	0.7	2.4	7.1	4.8	8.1	6.3	6.7
Investment revenue	18.3	17.8	17.0	16.9	15.1	14.8	15.7
Other gains and losses	16.4	13.7	6.2	(1.4)	(4.1)	5.0	5.2
Finance costs	(9.9)	(21.9)	(23.6)	(45.4)	(0.6)	(13.1)	(13.0)
Exchange gains/losses on monetary items	(11.6)	(30.6)	(17.6)	(15.8)	2.3	1.9	0.0
Profit Before Tax (norm)	98.6	100.5	78.5	69.0	117.5	107.9	114.5
Income tax	(33.7)	(42.2)	(41.9)	(39.7)	(36.8)	(37.7)	(39.4)
Non-controlling interests	(23.6)	(20.4)	(13.4)	(13.8)	(35.6)	(30.3)	(32.1)
Profit After Tax (norm)	41.3	37.9	23.2	15.5	45.1	39.9	43.1
Average Number of Shares Outstanding (m)	35.4	35.4	35.4	35.4	35.4	35.4	35.4
EPS - normalised fully diluted (c)	116.7	107.1	65.6	43.7	127.4	112.8	121.9
Dividend per share (c)	42.0	60.0	63.0	63.0	63.0	64.0	67.0
EBITDA Margin (%)	23.1	25.4	24.3	32.3	32.5	31.3	31.5
Operating Margin (%)	14.0	16.5	14.1	21.8	21.0	19.6	20.0
BALANCE SHEET							
Fixed Assets	695.6	768.1	819.6	713.6	827.7	855.1	901.8
Intangible Assets	45.0	84.3	73.6	53.7	61.1	53.7	49.5
Tangible Assets	650.7	683.8	746.0	660.0	766.7	801.5	852.3
Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Current Assets	615.2	564.4	493.0	486.7	450.2	469.7	475.8
Stocks	37.5	29.1	32.5	28.3	15.4	16.0	16.8
Debtors	199.5	150.8	96.2	84.0	81.3	84.3	88.7
Cash	136.7	106.5	103.8	97.6	77.3	82.2	71.6
Trading investments	241.6	278.0	260.5	276.9	276.2	287.2	298.7
Current Liabilities	(213.2)	(175.8)	(133.7)	(126.6)	(123.3)	(125.8)	(129.5)
Creditors	(176.5)	(136.2)	(81.0)	(84.0)	(72.3)	(74.8)	(78.5)
Short term borrowings	(36.7)	(39.5)	(52.6)	(42.7)	(51.0)	(51.0)	(51.0)
Long Term Liabilities	(354.1)	(386.6)	(411.6)	(393.2)	(397.7)	(394.4)	(391.5)
Long term borrowings	(326.9)	(339.2)	(347.2)	(323.8)	(326.8)	(321.8)	(316.8)
Other long term liabilities	(27.1)	(47.4)	(64.3)	(69.4)	(70.8)	(72.6)	(74.7)
Net Assets	743.6	770.1	767.3	680.5	757.0	804.6	856.5
CASH FLOW							
Operating Cash Flow	154.9	148.7	150.5	182.3	141.0	149.9	158.0
Net Interest	(0.5)	1.7	(0.6)	1.8	(0.5)	(1.1)	(0.1)
Tax	(31.9)	(27.3)	(29.5)	(22.7)	(34.4)	(32.9)	(34.4)
Capex	(101.5)	(88.2)	(101.0)	(64.8)	(93.0)	(78.0)	(100.0)
Acquisitions/disposals	0.0	(10.2)	(26.7)	0.0	(1.9)	0.0	0.0
Equity financing	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other (including divs from JV)	(2.3)	(45.9)	17.9	(33.1)	(5.3)	10.0	10.0
Dividends	(22.5)	(23.9)	(34.5)	(36.4)	(37.5)	(38.1)	(39.1)
Net Cash Flow	(3.8)	(45.2)	(23.8)	27.2	(31.6)	9.9	(5.6)
Opening net debt/(cash)	223.2	227.0	272.2	296.1	268.9	300.5	290.7
Other	0.0	0.0	(0.0)	0.0	0.0	0.0	0.0
Closing net debt/(cash)	227.0	272.2	296.1	268.9	300.5	290.7	296.3

Source: Ocean Wilsons data, Edison Investment Research

EDISON

Exhibit 16: Ocean Wilsons debt structure

$m	2012	2013	2014	2015	2016	2017e	2018e
Short-term debt and finance leases	36.7	39.5	52.6	42.7	51.0	51.0	51.0
Long-term debt and finance leases	326.9	339.2	347.2	323.8	326.8	321.8	316.8
Total debt	363.7	378.8	399.9	366.5	377.8	372.8	367.8
Cash and cash equivalents*	156.7	139.5	127.8	138.3	114.7	119.6	109.0
Net debt	**207.0**	**239.2**	**272.1**	**228.2**	**263.1**	**253.3**	**258.9**
Share of JV debt	208.5	250.9	257.4	273.8	266.9		
Net debt including JV share	415.5	490.1	529.5	502.0	530.0		
OCN net debt/equity	28%	31%	35%	34%	35%	31%	30%
OCN +JV net debt/equity	56%	64%	69%	74%	70%		

Source: Ocean Wilsons data, Edison Investment Research. Note: *Cash and cash equivalents include short-term investments held in Wilson Sons that are intended to fund operations in Brazil.

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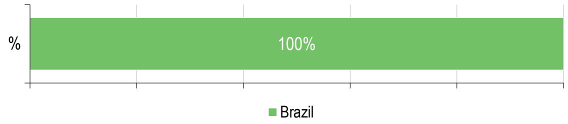
Revenue by geography



Management team

Chairman: José Francisco Gouvêa Vieira

Mr Gouvêa Vieira has been the managing director of Gouvêa Vieira Advogados since 1971. He has been a director of Ocean Wilsons since 1991 and chairman of the board since 1997. He is also chairman of Wilson Sons and a member of the boards of several companies, including PSA Peugeot Citroen do Brasil and Concremat Engenharia.

Independent non-executive director: Andrés Rozental

Mr Rozental is a political and economic consultant to Mexican and foreign companies. He was a Mexican diplomat for more than 35 years, holding a number of senior ambassadorial diplomatic posts. He is a director of Wilson Sons, chairman of ArcelorMittal Mexico, a director of ArcelorMittal Brazil and on the advisory board of Kansas City Southern de Mexico.

Deputy chairman: William Salomon

Mr Salomon was chairman of Rea Brothers, then deputy chairman of the investment division of Close Brothers from 1999. He is a director of Wilson Sons, chairman of Hanseatic Asset Management (the OWIL investment manager), senior partner in Hansa Capital Partners, chairman of New India Investment Trust and a director of Hansa Trust.

Finance director: Keith Middleton

Mr Middleton worked for a number of international companies before joining Ocean Wilsons Holdings in 1996. He is currently the executive director of Ocean Wilsons Holdings and is a member of the New Zealand Society of Accountants.

Principal shareholders	(%)
Hansa Trust	26.45
Victualia Limited Partnership (Mr W. Salomon has an interest in these shares)	12.54
Mr C. Townsend	11.22
Utilico Emerging Market Utilities	6.99
Dynamo Internacional Gestao de Recursos	5.15

Companies named in this report

Santos Brasil (STBP11 BZ), JSL (JSLG3 BZ), China Merchant (144 HK), Dalian Port (2880 HK), Hamburger Hafen (HHFA GR), Port of Tauranga (POT NZ), Sinotrans (598 HK).