

Ocean Wilsons Holdings

Strategic options being considered

Q323 results update

Ocean Wilsons Holdings' (OCN's) strategic review remains ongoing. Despite the review and the potential for value realisation, OCN still trades at a c 51% discount to its value, which we believe is 2,564p.

Year end	Revenue (US\$m)	PBT* (US\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/21	396.4	110.8	181.2	70.0	7.7	5.0
12/22	440.1	38.5	(51.9)	70.0	N/A	5.0
12/23e	472.6	107.2	159.2	70.0	8.8	5.0
12/24e	521.7	135.5	214.7	100.0	6.5	7.1

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Strategic review expanding and ongoing

On 12 June, OCN confirmed that it was in the early stages of a strategic review involving the company's investment in PORT3 and that all potential strategic options would be considered. The interim statement went on to say that the review would 'provide a platform for us to optimise our asset mix, enhance returns and drive growth in the longer term'. OCN's November Q323 update stated that its appointed adviser had received several 'highly conditional' non-binding offers for OW Overseas (Investments) Limited, which is the holding company that has a 57% stake in PORT3. The company said that an update would be released in due course.

Underlying operations trade well

At the Q3 trading update, OCN confirmed that the trading value of its 57% share in Wilson Sons was worth US\$679.4m, which equated to US\$19.21 (£15.74) per Ocean Wilsons share. Its investment portfolio was valued at US\$297.8m or US\$8.42 (£6.90) per Ocean Wilsons share. The implied net asset value of OCN, including US\$2.7m of cash, was US\$27.71, or £22.70 per share. In the first nine months of 2023, the value of the investment portfolio increased by US\$11m, or 3.7%. PORT3 has also traded well in Q3 with revenue up 8.3% to US\$356.4m and EBITDA up 14.2% to US\$153.1m.

Valuation: OCN trades at a c 51% discount

To value OCN we have taken the last published equity value (30 June 2023), excluding minorities, of US\$565.2m, or £444.1m. We have then subtracted the equity value at the same date of OCN's 57% stake in PORT3 of £206.2m, leaving an equity value of OCN (ex PORT3) of £237.9m. We have then added back the current market value of OCN's 57% stake in PORT3 and arrived at a market value of OCN of £906.7m (or 2,564p/share), against a current market capitalisation of £443.8m (1,255p/share). This implies that OCN trades at a 51.1% discount to its market price value. Our forecasts have been updated to reflect the Q323 results.

Investment companies

2 February 2024

Price **1,400p**

Market cap **£495m**

US\$1.19/£, BRL5.41/US\$

Net debt (US\$m), ex leases of US\$216.5m, at 30 June 2023 309.4

Shares in issue 35.4m

Free float 36%

Code OCN

Primary exchange LSE

Secondary exchange Bermuda

Share price performance



% 1m 3m 12m

Abs 16.7 46.1 53.9

Rel (local) 18.6 39.3 57.2

52-week high/low 1,400p 820p

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.

Next events

Preliminary results March 2024

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Huge discount remains despite 2023 bounce

Despite a c 50% bounce in OCN's share price since 9 June 2023, we believe the shares still trade at a c 51% discount to our valuation of 2,564p/share. A resolution to the strategic review currently being undertaken may crystallise the inherent discount in the share price versus its valuation.

Sum-of-the-parts valuation implies significant upside

OCN is an investment company that has held a 57% strategic stake in the Brazilian-listed port services company Wilson Sons (PORT3) for many years. It also holds a portfolio of mainly listed, but some unlisted, investments.

In Exhibit 1 we attempt to value OCN. Firstly, we took the last published equity value (30 June 2023), excluding minorities, of OCN of US\$565.2m, or £444.1m. Secondly, we subtracted the equity value at the same date of OCN's 57% stake in PORT3 of £206.2m, leaving an equity value of OCN (ex PORT3) of £237.9m. Finally, we added back the current market value of OCN's 57% stake in PORT3 and arrived at a market value of OCN of £906.7m (or 2,564p/share) against a current market capitalisation of £443.8m (1,255p/share). This implies that OCN trades at a 51.1% discount to its market price value despite the bounce in the share price this year, from a low of 820p on 9 June to the current level. This calculation does not include any potential increase in the value of the investment portfolio since the last published date of 30 June, nor any additional profit accrued from its holding in PORT3 since that date.

The PORT3 share price has bounced in recent months following the announcement that OCN is considering its strategic options relating to the PORT3 position within the group. PORT3 is trading on a 2023 EV/EBITDA multiple of c 10.0x, which is close to the average multiple of a group of international peers (FY23 average of 10.5x) and so we consider this to be relatively conservative given the M&A upside of this particular asset at the moment and the significant growth that PORT3 has demonstrated throughout 2023. For reference, we estimate that each 0.5x of EV/EBITDA ratio added raises the total value of OCN by £44.3m or 125p/share.

Exhibit 1: Market value of Ocean Wilsons

Entity	Currency m	(p/share)
Ocean Wilsons (OCN)		
Total equity/NAV, ex minorities, (US\$m - 30 June)	565.2	
Total equity/NAV, ex minorities, (£m - 30 June)	444.1	
Wilson Sons (PORT3)		
Total equity/NAV (BRLm - 30 June)	2,278.9	
Total equity (100%, £m - 30 June)	361.7	
Minus 57% of equity, £m - 30 June	(206.2)	
Equity value of OCN, ex PORT3 equity value (£m)	237.9	
Add, 57% of Wilson Sons market cap (£m)	668.8	
Total value of Ocean Wilsons (OCN) at market price (£m)	906.7	2,564
Current market value of Ocean Wilsons (£m)	443.8	1,255
OCN discount to market value	-51.1%	-51.1%

Source: Edison Investment Research

Another way to highlight OCN's value (based on the same figures) is to look at the current value of OCN's 57% stake in PORT3 (£668.8m) and compare it to the current value of OCN (£443.8m). In effect, investors would get a controlling stake in PORT3 at a one-third discount and would receive the rest of OCN's assets for free.

Exhibit 2: Financial summary

	US\$m	2019	2020	2021	2022	2023e	2024e	2025e
31-December		IFRS	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
INCOME STATEMENT								
Revenue		406.1	352.8	396.4	440.1	472.6	521.7	584.0
EBITDA		132.0	131.5	158.8	176.8	186.6	214.3	238.7
Normalised operating profit		69.3	70.2	97.4	112.4	115.3	143.0	167.4
Share-based payments		(0.4)	(0.1)	(0.4)	(0.3)	(0.3)	(0.3)	(0.3)
Reported operating profit		68.9	70.0	97.0	112.1	115.0	142.7	167.1
Net Interest		(21.7)	(21.6)	(26.1)	(26.1)	(28.1)	(28.3)	(22.9)
Joint ventures & associates (post tax)		0.6	(4.1)	(5.0)	3.2	12.1	12.1	12.1
Exceptionals		0.0	0.0	0.0	0.0	0.0	0.0	0.0
Profit Before Tax (norm)		82.9	74.7	110.8	38.5	107.2	135.5	165.2
Profit Before Tax (reported)		82.5	74.6	110.4	38.1	106.9	135.2	164.9
Reported tax		(21.5)	(26.6)	(27.9)	(26.7)	(19.2)	(24.3)	(29.7)
Profit After Tax (norm)		61.4	48.1	82.8	11.8	87.9	111.2	135.5
Profit After Tax (reported)		61.0	48.0	82.5	11.5	87.6	110.9	135.2
Minority interests		(14.2)	(9.3)	(18.8)	(30.2)	(31.6)	(35.3)	(39.5)
Net income (normalised)		47.2	38.8	64.1	(18.3)	56.3	75.9	95.9
Net income (reported)		46.9	38.7	63.7	(18.7)	56.0	75.6	95.6
Basic average number of shares outstanding (m)		35	35	35	35	35	35	35
EPS - basic normalised (c)		133.53	109.83	181.19	(51.88)	159.24	214.66	271.32
EPS - diluted normalised (c)		133.53	109.83	181.19	(51.88)	159.24	214.66	271.32
EPS - basic reported (c)		132.49	109.47	180.15	(52.82)	158.39	213.81	270.47
Dividend (c)		70.00	70.00	70.00	70.00	70.00	100.00	125.00
Revenue growth (%)		14.4	(0.2)	(28.9)	21.0	50.9	(1.8)	0.0
EBITDA Margin (%)		32.5	37.3	40.1	40.2	39.5	41.1	40.9
Normalised Operating Margin		17.1	19.9	24.6	25.5	24.4	27.4	28.7
BALANCE SHEET								
Fixed Assets		981.0	861.1	861.8	931.3	953.5	973.7	993.9
Intangible Assets		36.4	30.4	28.3	27.8	41.3	57.7	74.1
Tangible Assets		627.0	579.1	563.1	589.6	581.3	573.0	564.7
Investments & other		317.6	251.6	270.5	313.8	330.9	343.0	355.1
Current Assets		460.6	492.8	518.5	470.0	493.2	546.0	614.4
Debtors		56.7	47.8	59.4	67.1	70.9	78.3	87.6
Cash & cash equivalents		378.3	422.5	433.8	368.4	387.8	433.2	492.3
Other		25.5	22.5	25.4	34.5	34.5	34.5	34.5
Current Liabilities		(115.7)	(124.3)	(131.3)	(153.2)	(151.3)	(163.0)	(176.8)
Creditors		(56.6)	(41.1)	(58.5)	(58.3)	(63.8)	(70.4)	(78.8)
Tax and social security		(0.5)	(6.3)	(8.1)	(10.3)	(2.9)	(8.0)	(13.3)
Short term borrowings		(36.6)	(58.7)	(45.3)	(59.9)	(59.9)	(59.9)	(59.9)
Other		(21.9)	(18.2)	(19.4)	(24.7)	(24.7)	(24.7)	(24.7)
Long Term Liabilities		(540.1)	(485.9)	(465.4)	(493.9)	(493.9)	(493.9)	(493.9)
Long term borrowings		(298.3)	(284.0)	(256.3)	(262.0)	(262.0)	(262.0)	(262.0)
Other long term liabilities		(241.7)	(201.9)	(209.1)	(231.9)	(231.9)	(231.9)	(231.9)
Net Assets		785.9	743.7	783.7	754.1	801.6	862.7	937.6
Minority interests		(216.1)	(187.9)	(190.0)	(199.5)	(199.5)	(199.5)	(199.5)
Shareholders' equity		569.8	555.8	593.7	554.6	602.1	663.2	738.1
CASH FLOW								
Op Cash Flow before WC and tax		123.8	109.3	143.9	75.9	158.9	182.2	206.5
Returns on investment and other		(34.7)	(33.4)	(49.5)	47.9	(11.0)	(12.2)	(12.2)
Working capital		10.4	21.6	1.0	(22.6)	0.5	(2.6)	(3.3)
Exceptional & other		(0.4)	11.9	9.1	(4.7)	(13.5)	(11.8)	(11.8)
Tax		(23.3)	(29.1)	(27.3)	(22.1)	(26.7)	(19.2)	(24.3)
Other		59.6	48.1	54.0	52.7	47.3	52.7	52.6
Net operating cash flow		135.3	128.4	131.3	127.2	155.6	189.1	207.5
Capex		(86.4)	(58.2)	(48.4)	(63.9)	(61.6)	(61.6)	(61.6)
Acquisitions/disposals		23.0	(13.5)	(13.5)	57.4	(28.0)	0.0	0.0
Net interest		(29.0)	(22.7)	(25.2)	(30.1)	(28.1)	(28.3)	(22.9)
Equity financing		21.1	22.7	(40.1)	3.0	(6.0)	(6.0)	(6.0)
Dividends		(42.2)	(42.2)	(42.6)	(49.9)	(49.7)	(49.8)	(60.4)
Net Cash Flow		21.9	14.5	(38.5)	43.7	(17.9)	43.4	56.6
Opening net debt/(cash)		263.5	266.0	279.4	273.0	246.2	257.0	213.6
FX		(3.2)	(20.2)	3.8	3.5	7.0	0.0	0.0
Other non-cash movements		(21.2)	(7.7)	41.1	(20.3)	0.0	0.0	0.0
Closing net debt/(cash)		266.0	279.4	273.0	246.2	257.0	213.6	157.1

Source: Company accounts, Edison Investment Research

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