

# Ocean Wilsons Holdings

Q3 update

## Resilient Q3 performance

The third-quarter results from Ocean Wilsons' quoted subsidiary, Wilson Sons, represented another resilient performance against a still difficult economic background in Brazil. In addition, the company has announced the extension of its concession for the Salvador container terminal confirming (as expected) the long-term future of this element of the business. The longer-term prospects for Wilson's maritime services businesses remain promising and the 32% discount that Ocean Wilsons shares trade on compared with a look-through value appears conservative.

Year end	Revenue (US\$m)	PBT* (US\$m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/14	633.5	78.5	65.6	63	19.2	5.0
12/15	508.9	68.9	43.7	63	28.7	5.0
12/16e	463.6	120.2	118.4	63	10.6	5.0
12/17e	477.7	118.0	114.4	64	11.0	5.1

Note: \*PBT and EPS exclude exceptional items.

## Wilson Sons Q3 results

Wilson Sons' third-quarter figures included positive performances from the container terminals and towage segments that together contributed 86% of pro forma EBITDA and showed an increase of 11% y-o-y. Tough trading conditions for the oil and gas terminal (Brasco), the offshore vessels joint venture and the shipyard trimmed the overall pro forma EBITDA increase to 1.6%. Given the challenging background faced by the logistics, shipyard and Brasco businesses, Wilson Sons has already implemented restructuring measures that should help to protect future profitability.

## Salvador lease extension and outlook

Wilson Sons has signed a lease extending its concession for the Salvador container terminal by 25 years to March 2050. As a condition of this it is required to invest in maintenance and capacity expansion, which is phased, and significant spending is not expected until FY18. The first phase of investment will enable the port to accommodate the larger ships now being used and permit shorter waiting times: both positive for future revenues. The macroeconomic background remains uncertain but if president Temer is able to push through reforms and the oil price is stable or rises moderately then the greater confidence that has been evident in the Brazilian stock market should be underpinned with GDP growth resuming in 2017 and beyond (see page 4).

## Valuation

The 32% share price discount to a look-through valuation, which takes account of the market price of Wilson Sons and the latest available valuation of Ocean Wilsons' investment portfolio, appears wide given the resilience and growth displayed by Wilson Sons over the long term and the diversified nature of the global investment portfolio.

## Financial services

16 December 2016

**Price** **1,013p**
**Market cap** **£359m**

£/US\$1.24

Net debt (US\$m) at end June 2016 excluding JV 297.2

Shares in issue 35.4m

Free float 49.9%

Code OCN

Primary exchange LSE

Secondary exchange Bermuda

## Share price performance



%	1m	3m	12m
Abs	5.5	6.3	32.7
Rel (local)	2.7	2.9	16.3

52-week high/low 1,015.00p 705.00p

## 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.

## Next events

2016 prelim results March 2017

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**Ocean Wilsons Holdings is a research client of Edison Investment Research Limited**

## Company description

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Ocean Wilsons is a Bermudian investment holding company whose main assets are a 58.25% interest in Wilson Sons and an international investment portfolio, both run with a long-term view. Wilson Sons is a public Brazilian port, maritime and logistics company. On a look-through basis, including Wilson Sons' market value, the NAV split is c 64:36 between Wilson Sons and the investment portfolio.

As a port operator and offshore services provider, trends in Brazilian trade volumes and oil industry activity are important drivers of Wilson Sons revenue and profits. The directly oil-exposed activities, Brasco and the offshore vessels joint venture accounted for c 16% of pro forma revenues and 19% of pro forma EBITDA in Q316. Wilson Sons reports in US dollars and earns around 50% of its revenues in that currency. As a Brazilian company, its costs are mostly in Brazilian reals (BRL). Currency fluctuations therefore have a more limited effect on the company's EBITDA. Accounting for foreign exchange movements can make the reported progression of earnings appear lumpy, although the underlying businesses have been relatively stable and EBITDA grew at a compound rate of 7.9% between 2008 and 2015.

Hanseatic Asset Management manages Ocean Wilson's investment portfolio on an unconstrained global basis, aiming to achieve long-term returns while emphasising capital preservation. The manager seeks to achieve this objective by allocating between three categories: (1) core regional funds that form the core of the portfolio; (2) a long-term growth category with investments in biotechnology and technology, for example; and (3) a diversifying category that will provide an element of protection to the portfolio as the business cycle matures.

## Trading update and Salvador terminal renewal

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In this section we focus on the Wilson Sons' third-quarter results and the announcement of the 25-year extension of the Salvador container terminal concession. The Ocean Wilsons investment portfolio, including cash under management, was stable compared with the half-year end with a value of US\$237.1m at the end of October (compared with US\$234.1m at the end of June).

### Wilson Sons: Container terminals and towage lead Q3 results

While the economic background in Brazil remained challenging, Wilson Sons' Q3 results showed resilience with revenues (pro forma including a 50% share of the offshore vessels joint venture) and EBITDA up modestly compared with Q315. Greater stability in the US\$/Brazilian real exchange rate over the quarter meant that negative FX-related items were less than US\$1m, much lower than in Q315. Key numbers from the Q3 results were as follows (including the offshore vessel joint venture on a pro forma basis where relevant).

- **Revenues** were up 3% in US dollar terms and down 5.5% in Brazilian real terms reflecting a strengthening of the average US\$/BRL rate of nearly 9% between Q315 and Q316. Within total revenue in Brazilian-real terms, container terminals were up 5.4% on stable overall volumes reflecting the mix between cargoes, import/exports and full/empty containers. The Brasco support terminal saw the largest percentage revenue decline (32%) as a result of reduced waste management income and fewer vessel movements as some operations ended.
- **EBITDA** (in US dollars) was down 1.6% on Q315 with the operating margin only slightly lower at 39.1% versus 39.6%. Profit improvements in container terminals and towage were offset by the impact of lower activity levels at Brasco and offshore support vessels.
- As noted, there was a much smaller impact on reported earnings from **foreign exchange** related items on pre- and post-tax profit in Q316 compared with Q315 with a depreciation of

Brazilian real of 1.2% during the quarter compared with 22% in the prior year period. There are three significant areas that give rise to these foreign exchange effects: monetary items, deferred taxes, and loans and investments. In total there was a negative effect of US\$0.4m in Q316 compared with US\$34m in the prior year period.

- As a result of the sharp reduction in negative FX items relating to monetary items and loans and investments, **pre-tax profits** rose from US\$4.4m in Q315 to US\$34.9m.
- Similarly, diluted **earnings per share** moved from a loss of 8.38c in Q3 last year to a positive 30.71c this year.

Exhibit 1 summarises segmental revenue, EBITDA and EBITDA margin trends and, looking at the sequential comparison between the second and third quarters this year, there was a 23% increase in EBITDA led by increases in container terminals and towage with the latter benefiting from efforts to reduce costs and the acquisition of six tugboats that had previously been leased. The offshore support vessel activity also showed an improvement reflecting the start of operations for the largest vessel in the fleet, Larus, partly offset by two vessels being offhire.

<b>Exhibit 1: Wilson Sons quarterly segmental analysis</b>					
<b>US\$m unless stated</b>	<b>Q315</b>	<b>Q116</b>	<b>Q216</b>	<b>Q316</b>	<b>Q3 y-o-y change %</b>
<b>Net revenues</b>					
Containers Terminal (TECONs)	37.7	29.3	36.9	43.4	15.0
O&G Terminal (Brasco)	5.8	5.1	5.9	4.2	-26.9
Towage	54.1	48.6	50.8	54.1	0.2
Shipyards	9.7	4.9	6.1	9.3	-3.8
Shipping Agency	4.0	3.3	3.4	3.6	-10.1
Logistics	11.2	10.6	9.9	10.9	-2.4
Offshore*	18.0	14.7	16.9	19.1	5.9
<b>Total</b>	<b>140.5</b>	<b>116.5</b>	<b>129.9</b>	<b>144.6</b>	<b>3.0</b>
<b>EBITDA</b>					
Containers Terminal (TECONs)	18.4	11.6	15.1	20.2	9.5
O&G Terminal (Brasco)	1.7	1.3	1.2	0.4	-78.8
Towage	25.4	24.0	24.4	28.3	11.1
Shipyards	2.1	-0.2	1.8	2.0	-5.1
Shipping Agency	0.9	1.0	0.5	0.9	N/A
Logistics	0.7	1.0	-1.6	-0.8	Loss
Corporate	-4.7	-4.3	-4.6	-4.7	0.0
Offshore*	11.0	6.6	8.9	10.2	-6.7
<b>Total</b>	<b>55.6</b>	<b>41.0</b>	<b>45.7</b>	<b>56.5</b>	<b>1.6</b>
<b>EBITDA margins %</b>					
Containers Terminal (TECONs)	48.8	39.6	40.9	46.5	
O&G Terminal (Brasco)	29.3	25.5	20.3	9.5	
Towage	47.0	49.4	48.0	52.3	
Shipyards	21.6	-4.1	29.5	21.5	
Shipping Agency	23.7	30.3	14.7	25.0	
Logistics	6.3	9.4	-16.2	-7.3	
Offshore*	60.9	44.9	52.7	53.4	
<b>Total</b>	<b>39.6</b>	<b>35.2</b>	<b>35.2</b>	<b>39.1</b>	
Source: Wilson Sons, Edison Investment Research. Note: *WSUT 50% JV included on a pro forma basis.					

Capital spending in the third quarter at US\$17.3m was lower both sequentially (Q2 US\$39.6m), because of the incidence of costs relating to new crane investments for the container terminals, and compared with Q315 (US\$33.3m) reflecting fewer tugboats and platform support vessels under construction. Wilson Sons has previously estimated capital spending of US\$127m for FY16 and US\$80m for FY18, including expenditure by the offshore joint venture. Expenditure on the expansion of the Salvador terminal (see below) is not expected to begin in earnest until FY18.

## Salvador terminal renewal and expansion

On 16 November Wilson Sons announced the signing of a lease agreement with the Brazilian government that extends the term of the concession for the Salvador terminal by 25 years to 13 March 2050. As a condition of the extension Wilson Sons will carry out minimum expansion and maintenance spending at the terminal with a minimum expansion budget (at end 2013 values) of BRL398m, which translates into c US\$115m at the current exchange rate.

The first phase of the expansion is expected to start nine months after the signing of the lease amendment and to be completed in the second half of 2019 at a cost of c US\$74m. 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 phase need not be completed until 2030 and will add backyard capacity at a cost of c US\$8m while phase three (required by 2034) adds further backyard capacity for an additional c US\$33m leaving the terminal with capacity of 925,000 TEUs (twenty foot equivalent units) compared with the current c 430,000 and Q316 usage running at annual rate of around 350,000 TEU.

The lease renewal is an important confirmation of the long-term retention of and development of the terminal. The phasing of expansion has the potential to allow capacity to expand in line with market demand both in terms of ship size and overall capacity.

## Outlook

The trading background for Wilson Sons in Brazil has remained subdued with negative economic growth reflected in lower domestic activity, although earlier currency weakness has aided exports, supporting broadly flat overall volumes for the company's container terminals year to date. The impeachment of Dilma Rousseff earlier in the year and succession of acting president Michel Temer provided a catalyst for a significant rally in the currency and equity markets (see Exhibits 2 and 3). However, this is a forward-looking reaction and the macroeconomic and political background remain uncertain. Politically, president Temer has to implement proposed reforms to contain government spending and has meanwhile been accused by the opposition of assisting an ally in a property deal, adding to the challenges the administration faces. This, mixed economic data and the result of the US election (prompting a repatriation of funds from emerging markets to the US) all contributed to a relatively modest correction in both the currency and equity market recently.

**Exhibit 2: Brazilian real/US dollar exchange rate**



Source: Bank of England

**Exhibit 3: Bovespa total return index (local currency)**

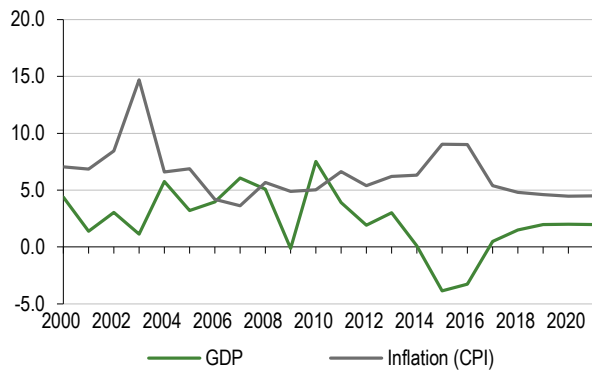


Source: Thomson Datastream

Economically, data remain weak, although there are some signs of the recession easing and, looking ahead, the IMF Outlook published in October forecast a return to economic growth next

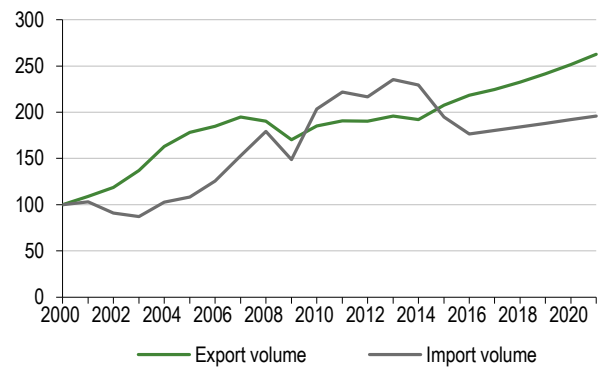
year (c 0.5%) and medium-term growth in the range of 1.5-2.0% (Exhibit 4). Trade growth, led by exports with average growth of 3.7% 2017-21, is expected to outpace economic growth (Exhibit 5).

**Exhibit 4: Brazil GDP growth and inflation (%)**



Source: IMF World Economic Outlook October 2016 database

**Exhibit 5: Brazil imports and exports of goods**



Source: IMF World Economic Outlook October 2016 database

Given this uncertain background and the expectation of a slow recovery in oil-related activity, Wilson Sons has been maintaining close control over costs with restructuring measures already taken, as noted above, in the logistics, shipyard and Brasco businesses. The benefits of this should be evident in future quarters. The market background for the offshore support vessel joint venture, WSUT, remains dull but it does benefit from long-term contracts with 10 of the 21 (soon 22) vessels having contracts extending into 2019 or beyond. In the near term there are two vessels off-hire on the spot market to be joined by another new vessel this month. In the medium and long term the opening of development of Brazil's pre-salt reserves to international companies should be helpful while the current global glut of offshore support vessels would tighten if there were a sufficient strengthening in oil price to generate renewed growth in exploration activity. For the main container terminal and towage businesses, the expected longer-term growth in trade (Exhibit 5) together with further containerisation and development of cabotage (shipping between ports in Brazil) are positive features.

For the Ocean Wilsons investment portfolio the manager has previously talked about near-term uncertainties but has not adopted an overly cautious stance. The global diversification of investments should help mitigate market volatility to some extent while the long-term approach mirrors the management style at Wilson Sons while providing some balance to the specific exposures of the operating subsidiary.

## Financials

Exhibit 6 summarises changes in our estimates following the Q3 results. Reflecting performance year to date and assuming the exchange rate remains broadly stable, our revenue estimates have been increased by between 8% and 9% while pre-tax profits forecasts are increased by 4.5% and nearly 2% for this year and next. Higher assumptions for the non-controlling interest line leave EPS estimates lower.

**Exhibit 6: Estimate revisions**

	Revenue (US\$m)			PBT (US\$m)			EPS (c)			DPS (c)		
	Old	New	Change	Old	New	Change	Old	New	Change	Old	New	Change
2016e	426.8	463.6	8.6%	115.0	120.2	4.5%	126.6	118.4	-6.4%	63.0	63.0	0.0%
2017e	442.1	477.7	8.1%	115.9	118.0	1.8%	118.7	114.4	-3.6%	64.0	64.0	0.0%

Source: Edison Investment Research

The financial position at Wilson Sons at end September showed only modest changes when compared with the half-year stage. Net debt stood at US\$270.9m compared with US\$279.8m at

end June. The average interest cost is only 3.1% and 86% of the debt is long-term. In addition the offshore vessels joint venture had net debt of US\$257.2m versus US\$259.6m. Including the joint venture on a 50% pro forma basis, the trailing 12-month debt to EBITDA multiple stood at 2.7x.

Details of our financial forecasts for Ocean Wilsons are shown in the financial summary (Exhibit 9) with the debt structure set out in Exhibit 10. As the operating business within the group, Wilson Sons is the primary influence on cash flows and debt. The ability of the towage and offshore vessels activities to access long-term, low-cost finance from the Brazilian government via the Fundo da Marinha Mercante explains the relatively high level of debt to equity when the share of joint venture debt is included (debt/ equity 74% for FY15, for example). Capital spending this year has been boosted by spending on port handling equipment and the six tugs that were previously rented in the towage business. Otherwise capital spending has been running well below the peak level of over US\$200m seen in 2011, averaging c US\$100m between 2012 and 2015. Overall movements in net debt over the same period have shown a modest reduction, excluding foreign exchange movements. Wilson Sons expects the level of capital spending to be lower in FY17 and, on our estimates, there should be a reduction in net debt. We have factored in an increase in capital spending for 2018 as spending gets underway on the first phase of the Salvador container terminal expansion. Similar or slightly lower spending may be seen in 2019, following which we would expect capex to fall back to lower levels, all else being equal.

## Valuation

We have updated our look-through discount calculation for Ocean Wilsons. This includes Wilson Sons at market value and the Ocean Wilsons investment portfolio (OWIL) at the end-October valuation given in the trading update. As shown in Exhibit 7 this gives a discount of 32%, similar to the level shown in our last note published in September. This still appears wide given the resilience demonstrated by Wilson Sons and the globally diverse nature of the investment portfolio.

### Exhibit 7: Ocean Wilsons' share price discount to look-through valuation

	p	£m
Last OWIL value per Ocean Wilsons share (end October 2016)	540.7	191.2
Wilson Sons market value per Ocean Wilsons share (15 December 2016)	955.1	337.7
Ocean Wilsons look-through value	1,495.8	529.0
Ocean Wilsons share price/market cap	1,015.0	358.9
<b>Discount</b>	<b>-32%</b>	<b>-32%</b>

Source: Thomson Datastream, Ocean Wilsons, Edison Investment Research. Note: US\$1.24/£.

Next (Exhibit 8), we show a peer comparison for Wilson Sons that includes a selection of Brazilian and international port and shipping companies. Here Wilson Sons stands towards the lower end of the range for consensus earnings and EBITDA multiples and is in line with the average book multiple, albeit within quite a wide range.

### Exhibit 8: Selected Wilson Sons comparator valuations

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)
<b>Wilson Sons</b>	<b>724</b>	<b>9.2</b>	<b>9.3</b>	<b>5.0</b>	<b>4.7</b>	<b>1.4</b>
Santos Brasil	451	N/A	23.3	15.4	10.8	0.2
JSL (BRA)	539	N/A	26.2	5.8	5.3	2.4
China Merchants (HKG)	6,480	13.4	12.1	19.2	17.6	0.8
Dalian Port (HKG)	4,005	N/A	N/A	N/A	N/A	0.9
Far Eastern Shipping (RUS)	147	N/A	5.5	11.7	9.6	N/A
Hamburger Hafen (GER)	1,333	19.9	18.1	6.2	5.7	2.5
Port Of Tauranga (NZL)	1,781	31.0	28.6	19.4	18.1	2.9
Sinotrans (HKG)	2,112	10.0	9.2	7.8	7.3	0.9
<b>Total/average</b>	<b>17,572</b>	<b>16.7</b>	<b>16.6</b>	<b>11.3</b>	<b>9.9</b>	<b>1.5</b>

Source: Bloomberg. Note: Prices as at 15 December 2016.

**Exhibit 9: Financial summary**

	\$m	2012	2013	2014	2015	2016e	2017e	2018e
Year-end December								
<b>PROFIT &amp; LOSS</b>								
Revenue		610.4	660.1	633.5	508.9	463.6	477.7	500.9
Cash costs		(469.2)	(492.4)	(479.3)	(344.6)	(316.6)	(315.3)	(320.0)
EBITDA		141.2	167.7	154.2	164.3	147.0	162.4	180.9
Depreciation and amortisation		(55.9)	(58.7)	(65.1)	(53.2)	(51.1)	(59.5)	(64.3)
Operating Profit		85.3	109.1	89.1	111.1	95.8	102.9	116.6
Profit/loss on PPE		(0.5)	10.0	0.3	(1.3)	0.0	0.0	0.0
Share of results of JVs		0.7	2.4	7.1	4.8	6.8	7.0	8.0
Investment revenue		18.3	17.8	17.0	16.9	15.8	16.1	16.8
Other gains and losses		16.4	13.7	6.2	(1.4)	(2.8)	5.1	5.3
Finance costs		(9.9)	(21.9)	(23.6)	(45.4)	1.2	(12.6)	(12.4)
Exchange gains/losses on monetary items		(11.6)	(30.6)	(17.6)	(15.8)	3.4	(0.6)	0.0
Profit Before Tax (norm)		98.6	100.5	78.5	68.9	120.2	118.0	134.4
Income tax		(33.7)	(42.2)	(41.9)	(39.7)	(42.6)	(40.1)	(49.3)
Non-controlling interests		(23.6)	(20.4)	(13.4)	(13.8)	(35.6)	(37.4)	(40.3)
Profit After Tax (norm)		41.3	37.9	23.2	15.5	41.9	40.5	44.7
Average Number of Shares Outstanding (m)		35.4	35.4	35.4	35.4	35.4	35.4	35.4
EPS - normalised and fully diluted (c)		116.7	107.1	65.6	43.7	118.4	114.4	126.3
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	31.7	34.0	36.1
Operating Margin (%)		14.0	16.5	14.1	21.8	20.7	21.5	23.3
<b>BALANCE SHEET</b>								
Fixed Assets		695.6	768.1	819.6	713.6	805.0	831.9	901.2
Intangible Assets		45.0	84.3	73.6	53.7	51.4	46.9	43.4
Tangible Assets		650.7	683.8	746.0	660.0	753.6	785.0	857.8
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	466.9	491.7	486.0
Stocks		37.5	29.1	32.5	28.3	25.8	26.6	27.8
Debtors		199.5	150.8	96.2	84.0	76.5	78.8	82.7
Cash		136.7	106.5	103.8	97.6	79.5	89.7	67.1
Trading investments		241.6	278.0	260.5	276.9	285.2	296.6	308.5
Current Liabilities		(213.2)	(175.8)	(133.7)	(126.6)	(119.6)	(121.8)	(125.4)
Creditors		(176.5)	(136.2)	(81.0)	(84.0)	(76.9)	(79.1)	(82.7)
Short term borrowings		(36.7)	(39.5)	(52.6)	(42.7)	(42.7)	(42.7)	(42.7)
Long Term Liabilities		(354.1)	(386.6)	(411.6)	(393.2)	(387.0)	(379.7)	(376.4)
Long term borrowings		(326.9)	(339.2)	(347.2)	(323.8)	(318.8)	(313.8)	(308.8)
Other long term liabilities		(27.1)	(47.4)	(64.3)	(69.4)	(68.2)	(65.9)	(67.6)
Net Assets		743.6	770.1	767.3	680.5	765.3	822.1	885.4
<b>CASH FLOW</b>								
Operating Cash Flow		154.9	148.7	150.5	182.3	154.5	164.5	182.1
Net Interest		(0.5)	1.7	(0.6)	1.8	2.2	2.6	3.5
Tax		(31.9)	(27.3)	(29.5)	(22.7)	(39.7)	(35.4)	(44.3)
Capex		(101.5)	(88.2)	(101.0)	(64.8)	(103.0)	(88.0)	(128.0)
Acquisitions/disposals		0.0	(10.2)	(26.7)	0.0	0.0	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)	10.0	10.0	10.0
Dividends		(22.5)	(23.9)	(34.5)	(36.4)	(37.1)	(38.4)	(40.9)
Net Cash Flow		(3.8)	(45.2)	(23.8)	27.2	(13.1)	15.3	(17.7)
Opening net debt/(cash)		223.2	227.0	272.2	296.1	268.9	282.0	266.8
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	282.0	266.8	284.4

Source: Ocean Wilsons Holdings, Edison Investment Research

**Exhibit 10: Ocean Wilsons debt structure**

US\$m	2012	2013	2014	2015	2016e	2017e	2018e
Short-term debt and finance leases	36.7	39.5	52.6	42.7	42.7	42.7	42.7
Long-term debt and finance leases	326.9	339.2	347.2	323.8	318.8	313.8	308.8
Total debt	363.7	378.8	399.9	366.5	361.5	356.5	351.5
Cash and cash equivalents*	156.7	139.5	127.8	138.3	120.2	130.5	107.8
Net debt	207.0	239.2	272.1	228.2	241.3	226.0	243.7
Share of JV debt	208.5	250.9	257.4	273.8			
Net debt including JV share	415.5	490.1	529.5	502.0			
OCN net debt/equity	28%	31%	35%	34%	32%	27%	28%
OCN +JV net debt/equity	56%	64%	69%	74%			

Source: Ocean Wilsons, 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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