



ALIGN
RESEARCH

Obtala Limited

29th January 2018

Forecasts and DCF model update

Obtala Limited is an Africa focussed forestry and agriculture company with a goal of becoming one of Sub-Saharan Africa's largest sustainable food and timber producers.

■ Forecasts updated following Q4 statement and talks with management

At the top line, for 2017 we have pared back our forecasts for the agriculture division due to the slower than expected year, which was affected by prolonged rains. We also modestly reduce forecasts in the forestry production and trading businesses. The overall effect is to reduce group revenue forecasts for 2017 from \$10.2 million to \$9.4 million. Due to higher costs we now expect an underlying pre-tax loss (excluding the gain made on the purchase of Woodbois) of \$5.8 million, up from \$0.3 million.

For 2018 we also pare back our revenue forecasts across the divisions and look for \$41 million at the group level, down from \$45.9 million. Higher costs and investments take pre-tax profits down from \$20.8 million previously to \$7.1 million. We also update our model for the recent strengthening of sterling against the US dollar. Our forecasts for 2019 and beyond, used in the DCF analysis, are unchanged.

■ Despite the revision our target price only falls from 38.18p to 38.09p

This is due to the lower forecast profits and negative exchange rate movements being offset by removing the loss making 2017 numbers from the DCF analysis and by adding additional funds received from preference share issues in H2 2017.

■ Shares now offering 185% potential upside following a recent pullback

Currently trading at 13.375p, a c.15 month low, Obtala shares look significantly undervalued. Our DCF derived target implies upside of 185%. In addition, the recent preference share issues by subsidiary Argento value Obtala's effective 57% stake at c.£44 million (c.15p per share). This is 12% above the current market cap and effectively values the acquired Woodbois business and agriculture operations at less than zero. **We retain our Conviction Buy stance and look forward to seeing further progress across the three divisions over the current financial year.**

Table: Financial overview. Source: Company & Align Research

Year to end Dec	2015A	2016A	2017E	2018E
Revenues (\$m)	0.87	0.63	9.42	41.03
PBT (\$m)	(14.78)	(5.25)	(5.79)*	7.11
EPS (c)	(7.8)	(1.84)	(1.97)*	1.42

*excluding gain on Woodbois purchase

CONVICTION BUY



Key data

EPIC	OBT
Share price	13.375p
52 week high/low	22.25p/12.5p
Listing	AIM
Shares in issue	293,279,267
Market Cap	£39.2m
Sector	Agriculture & Forestry

12 month share price chart



Analyst details

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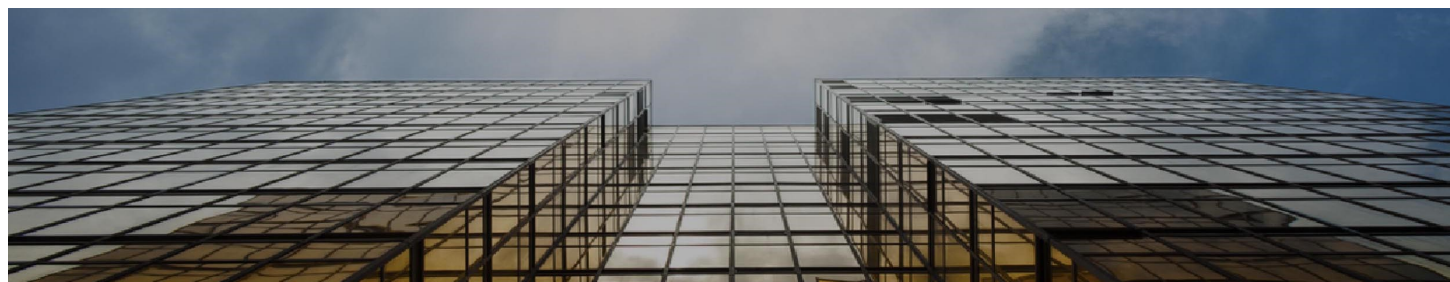
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