

## Spec. Buy

Unchanged

Price	5.5p
Target price	14p (14p)
Reuters/BBG Index	CMB.L / CMB.LN
Sector	FTSE AIM Diversified Financials
Market Cap	£5.5m

## ACQUISITION COMMENT

### Cambria Africa <sup>\*#</sup>

#### Acquisition of C&M and key new distribution agreements

Cambria's current strategy is to focus on its two most promising businesses, Millchem and Payserv, broadening their scale and scope, while expanding their presence into Zambia and Malawi. Cambria has made two important announcements. Firstly that Millchem, the first accredited "Responsible Distribution"\*\*\* company in Africa, has entered into several new regional supply and distribution agreements that further this strategy, and that also provide additional validation from blue-chip suppliers and customers. Secondly, it has announced the earnings enhancing acquisition of Chemicals and Marketing Company Ltd, which will make Cambria a leading chemicals distributor in Malawi.

- C&M was originally part of British chemicals company ICI and will give Millchem an immediate leading position in Malawi chemicals distribution, including national coverage through C&M's branches in Blantyre, Lilongwe, and Mzuzu. C&M is being acquired for 5.5m Cambria shares (c.\$0.3m) and had sales of US\$2.5m and EBIT of US\$177k in calendar 2013.
- Separately, Millchem has entered into new supply and distribution agreements with Sealed Air Corp in Malawi (customers include Carlsberg and Coca Cola), MEKZ Ltd (paints and coatings) in Zimbabwe, Zambia, Malawi, Namibia and Botswana, Centlube (oil and lubricating wares) in Zimbabwe, Zambia and Malawi adding scale to its business, and Donau Carbon (activated carbon) for all of Southern Africa.
- The announcement of the acquisition and of supply and distribution agreements show Cambria is making progress expanding into the region and the opportunities for earnings enhancing acquisitions. We have increased our revenue estimates for FY15 and FY16 by \$2m and EBIT by \$0.15m. FY2014E and FY15E will be years of transition for Cambria: all expansion costs associated with rolling out into new markets will be expensed, so the Group is unlikely to be profitable, which is being compounded by the difficult economic environment in Zimbabwe. However, a jump in revenues is likely as greater traction is achieved, whilst a possible sale of Leopard Rock Hotel and a possible Lonrho settlement regarding the aircraft claims could drive a cash in-flow.

\* WH Ireland act as NOMAD and Broker to this company  
# WH Ireland makes a market in these shares

#### Marketing Communication

This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Please refer to important disclosures towards the end of this document.

#### Analyst

Ian Berry  
+44 (0) 207 2201757  
ian.berry@wh-ireland.co.uk

Y/E August	2013A	2014A	2015E	2016E
Revenue (£m)	8.5	11.5	22.2 (20.2)	34.3 (32.2)
PBT (£m)	-4.8	-4.1	-2.2 (-2.3)	0.4 (0.2)
EPS (p)	-7.7	-4.9	-2.2 (-2.4)	0.3 (0.2)
P/E (x)	-	-	-	26
DPS (p)	0	0	0	0
Dividend Yield (%)	0	0	0	0

Source: WH Ireland estimates

WH Ireland is a member of the London Stock Exchange and is authorised and regulated by the Financial Conduct Authority.

WH Ireland Limited 11 St James's Square, Manchester, M2 6WH

WH Ireland is authorised and regulated by The Financial Conduct Authority and is a member of The London Stock Exchange. Important disclosures and certifications regarding companies that are the subject of this report can be found within the disclosures page at the end of this document.

- **C&M provides immediate national distribution coverage in Malawi**, as well as decades of hands-on experience in business development, industrial marketing and sales of chemicals in the country
- **Acquisition of C&M earnings enhancing:** C&M is being acquired for 5.5m Cambria shares (c.\$0.3m). It had sales of US\$2.5m and EBIT of US\$177k in calendar 2013 implying it will add c.50% to Millchem's top line of which around half comes from entirely new but proven product lines which will complement Millchem's existing product portfolio. Millchem will now derive around a third of its sales from the fast growing Malawi market.
- **C&M solid asset backing and value add potential:** C&M has a strong asset base for logistics and production, with its own warehouses and industrial land. This represents an ideal starting point for further development of bulk storage, de-bulking, mixing and blending; all typical value-add activities for a chemicals distributor.
- **The acquisition will allow C&M to benefit from the international frame work** unique accreditations from the U.S. based National Association of Chemical Distributors (NACD) and the Federation Europeene des Commerciants Chimiques (FECC) and Millchem's international purchasing entities, ties into the international chemical distribution community.
- **Millchem distribution partner for Sealed Air Corp:** Millchem announced it is now distributor for Sealed Air Corp in Malawi for the Diversey Care range of sustainable cleaning, sanitation and hygiene solutions. Carlsberg Malawi (comprising 5 bottling plants, a distillery and a brewery, including the local Coca Cola franchise) will be the first customer of these products. Carlsberg has stated Millchem's role will reduce ordering lead times to only 48 hours, compared to the current several weeks. In line with this development, Millchem has now been approved by Coca-Cola as accredited supplier of Diversey Care.
- **Millchem has become exclusive distributor for MEKZ Ltd** (paints and coatings) in Zimbabwe, Zambia, Malawi, Namibia and Botswana. With the latter two countries suggesting a possible coming presence for Millchem, as it doesn't operate there yet.
- **Millchem has become exclusive distributor for Centlube** (in effect ENI/AGIP oil and lubricating wares) in Zimbabwe, Zambia and Malawi
- **Millchem has also become exclusive distributor for Donau Carbon Corporation** (activated carbon) for all of Southern Africa.

"Responsible Distribution"\*\*\* = Accredited by National Association of Chemical Distributors (NACD) and the Federation Europeene des Commerciants Chimiques (FECC)

## Disclosures

### WH Ireland Recommendation Definitions

#### Buy

Expected to outperform the FTSE All Share by 15% or more over the next 12 months.

#### Outperform

Expected to outperform the FTSE All Share by 5/15% over the next 12 months.

#### Market Perform

Expected to perform in line with the FTSE All Share over the next 12 months.

#### Underperform

Expected to underperform the FTSE All Share by 5/15% or more over the next 12 months.

#### Sell

Expected to underperform the FTSE All Share by 15% or more over the next 12 months.

#### Speculative Buy

The stock has considerable level of upside but there is a higher than average degree of risk.

### Disclaimer

This research recommendation is intended only for distribution to Professional Clients and Eligible Counterparties as defined under the rules of the Financial Conduct Authority and is not directed at Retail Clients. This note contains investment advice of both a general and specific nature. It has been prepared with all reasonable care and is not knowingly misleading in whole or in part. The information herein is obtained from sources which we consider to be reliable but its accuracy and completeness cannot be guaranteed. The opinions and conclusions given herein are those of WH Ireland Ltd. and are subject to change without notice. Clients are advised that WH Ireland Ltd. and/or its directors and employees may have already acted upon the recommendations contained herein or made use of all information on which they are based. WH Ireland is or may be providing, or has or may have provided within the previous 12 months, significant advice or investment services in relation to some of the investments concerned or related investments. Recommendations may or may not be suitable for individual clients and some securities carry a greater risk than others. Clients are advised to contact their investment advisor as to the suitability of each recommendation for their own circumstances before taking any action. No responsibility is taken for any losses, including, without limitation, any consequential loss, which may be incurred by clients acting upon such recommendations. The value of securities and the income from them may fluctuate. It should be remembered that past performance is not necessarily a guide to future performance. For our mutual protection, telephone calls may be recorded and such recordings may be used in the event of a dispute. Please refer to [www.wh-ireland.co.uk](http://www.wh-ireland.co.uk) for a summary of our conflicts of interest policy and procedures.

### Share Price Target

The share price target is the level the stock should currently trade at if the market were to accept the analyst's view of the stock and if the necessary catalysts were in place to effect this change in perception within the performance horizon.

### Stock Rating Distribution

As at the quarter ending 31 Mar 2014 the distribution of all our published recommendations is as follows:

Recommendation	Total Stocks	Percentage %	Corporate
Buy	49	63	26
Speculative Buy	15	19	12
Outperform	4	5	3
Market Perform	8	11	3
Underperform	1	1	0
Sell	1	1	0
<b>Total</b>	<b>78</b>	<b>100</b>	<b>44</b>

This table demonstrates the distribution of WH Ireland recommendations. The first column illustrates the distribution in absolute terms with the second showing the percentages.

### Conflicts of Interest Policy

This research is classified as being "non-independent" as defined by the FCA's Conduct of Business Rule 12.3. Please refer to [www.wh-ireland.co.uk](http://www.wh-ireland.co.uk) for a summary of our conflict of interest policy.

Where WH Ireland acts in a professional or retained capacity for a company, the following symbols, as indicated on the front page next to the company name, apply:

\*WH Ireland acts as NOMAD and/or Broker

#WH Ireland makes markets in this stock

### Marketing Communication

This document has not been prepared in accordance with legal requirements designed to promote the independence of investment research. Please refer to important disclosures towards the end of this document.

### Analyst Certification

The research analyst or analysts attest that the views expressed in this research report accurately reflect his or her personal views about the subject security and issuer.

WH Ireland is a member of The London Stock Exchange and is authorised and regulated by The Financial Conduct Authority

WH Ireland Limited  
 11 St James's Square  
 Manchester M2 6WH  
 T: 0161 832 2174  
 F: 0161 839 5706

[www.wh-ireland.co.uk](http://www.wh-ireland.co.uk)