

# Cambria Africa plc

Update  
26<sup>th</sup> August 2014

## Closing of Malawi Acquisition, Integration Underway & Further Progress

Cambria Africa has announced completion of the acquisition of leading Malawi chemicals distributor, Chemicals & Marketing (C&M), by its value added chemical distribution subsidiary, Millchem. It also informed the market that the integration of C&M is underway and making good progress. The Southern Africa focussed investment company has also revealed that Millchem has received additional key regional supply and distribution agreements. We are encouraged to see the synergy benefits already being achieved, and see this announcement as further testament to efficiencies Cambria is able to achieve across its portfolios. We prefer to be prudent and keep our forecasts unchanged, and after taking into account the new shares issued in relation to the acquisition, we reiterate our buy stance of buy, with a target price of 13.86p.

### ■ Synergies Already Being Achieved

Further to the announcement of 27<sup>th</sup> May regarding the acquisition of C&M, Cambria has confirmed that legal completion of the acquisition has now taken place. Examples of the multiple synergy opportunities already being achieved include: the production of products locally by one of Millchem's trusted customers rather than being imported from abroad; a significant reduction in the landed cost for various commodities due to the Millchem purchasing pool; and access to Millchem's growing list of leading suppliers.

### ■ Additional Key Regional Supply & Distribution Agreements

Millchem also announced it has now become distributor for a number of leading products in the beverages industry including the Polyclar beer clarifier from Ashland Inc. (NYSE:ASH), edible oil purification product Tonsil from Clariant (SIX:CLN) and Celatom; beverage, sugar and edible oil filter aids from EP Minerals LLC.

### ■ Valuation

Using the DCF as our preferred method of valuation, and taking into account the new shares in relation to the acquisition of C&M (5,500,00 new ordinary shares), we have derived a target price of 13.86p (previously 14.63p) based on the business alone. We have associated no value for the firm's Southerton properties, which have been valued at up to \$1m or 0.62p/share. We see the settlement of the legal claims and possible sale of the firm's Leopard Rock Hotel as potential drivers of the shares in the short/medium term. Key risks to our forecasts relate to the execution of Cambria's growth plan and the improvement in the Sub-Saharan Africa region taking longer than expected.

Table: Financial overview

Year to 31st Aug	2012A	2013A	2014E	2015E
Revenue (\$000)	7,721	8,487	11,640	18,375
EBITDA* (\$000)			(2,543)	(1,882)
PBT* (\$000)	(8,267)	(4,810)	(3,470)	(2,378)
EPS (cents)	(18.6)	(7.6)	(4.18)	(2.40)

Source: GECR and company operations

Notes: \* Continuing

## Buy

**Target price** 13.86p

### Key data

Share price	5.25p
52 week high/low	10.00p/5.13p
Primary exchange	AIM
EPIC	CMB
Shares in issue	99,155 m
Market Cap	£5.21m
Sector	Equity Investment Instruments

### Share price chart



### Analyst details

Emanuil Manos Halicioglu  
+44 (0)203 638 6642  
Emanuil.Halicioglu@gocr.co.uk

Andrew Noone  
+44 (0)203 638 6641  
Andrew.Noone@gocr.co.uk

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