

Speculative Buy**Price** 10.75p

Target Price 25.3p

Reuters/BBG CMB.L / CMB LN
 Index FTSE AIM
 Sector Diversified Financials
 Market Cap £7.2m
 Shares in Issue 66.75m
 Tangible NAV 26.2p
 Gearing 14.5%

| Performance | All-Share | Sector |
|-------------|-----------|--------|
| 1 month: | 0.2% | 1.2% |
| 3 months: | -41.8% | -46.2% |
| 12 months: | -58.1% | -69.0% |
| High/Low | 24p/8p | |

Last Results Interims - May
Next Results Finals – November
Next Event Finals – November



Source: Capital IQ

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*WH Ireland acts as NOMAD and Broker for this company. ¹WH Ireland holds 6.78% of the shares in this company

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.

Cambria Africa*^{#1}**Placing boosts working capital – Strong trading continues**

Cambria Africa, an active investment company, building a portfolio of investments primarily in Zimbabwe, yesterday announced a placing of \$1.4m (£0.86m) at 10p. The funds will be used to strengthen working capital. Cambria's directors have subscribed to 22.5% of the offering. The recent trading statement for the 12 months to August 2012 demonstrates strong trading in the company's core subsidiaries, with core revenues up 52% to \$12m and core gross profit increasing 54% to \$6.8m. The asset portfolio has been streamlined of late and we have reviewed our sum of the parts valuation accordingly generating a new target price of 25.3p (25.9p), a 135% premium to the current share price.

The \$1.4m placing will provide working capital for the Group's existing businesses, which will benefit from further investment in order to sustain their present high growth rates, and will provide the Company with the ability to continue implementing its investment strategy. Cambria's portfolio of investments have predominantly market leading positions in industries that are likely to benefit from GDP growth in this emerging economy. Recent trading demonstrates that this strategy is paying off.

On 14th September it was disclosed that Cambria's former largest shareholder (Lonrho) no longer held a significant stake (over 3%) in the company. Given that Cambria has been taking steps to limit Lonrho's control, to become operationally independent, we view this as a positive, also removing a potential overhang in the stock.

On 18th September Cambria issued a very strong trading update for the year ending August 2012 which has turned out to be a year of high organic growth. Total revenue was up 35% to \$12.9m with stronger growth of 52% in Cambria's core portfolio to \$12m. All core investments enjoyed strong double digit revenue and gross profit growth. Core gross profit was driven ahead 47% to \$6.8m.

We have updated our sum of the parts valuation to reflect current trading, the various balance sheet transactions since our last note, and the weakening of the US\$. The overall impact on our target price is relatively immaterial decreasing 2.3% to 25.3p still 135% over the current share price. We consider Cambria to be both a growth and deep value investment proposition. However, given the perceived geopolitical risk of doing business in Zimbabwe, we rate the shares a Speculative Buy.

| Y/E June | 2011A* | 2012E | 2013E |
|-----------------------------|--------|-------|-------|
| Sales (US\$m) | 9.6 | 12.9 | 15.7 |
| WHI Divisional EBITDA (\$m) | * | (0.8) | 1.3 |
| WHI Group EBITDA (US\$m) | * | (2.3) | (0.3) |
| WHI Pre-tax loss (US\$m) | (10.2) | (3.6) | (2.1) |
| NAV (US\$m) | 52.8 | 32.0 | 31.0 |
| Net Debt (US\$m) | (0.5) | (4.7) | (3.6) |

*Adjusted comparatives unavailable. Reported numbers used for 2011 or left blank where not relevant

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Valuation

We have updated our sum of the parts valuation to reflect current trading, the sale of the aviation assets and the related increase in contingent assets relating to the deterioration in market value of the sold aircraft.

The aggregate effect of the above changes is to change our target price to 25.3p from 25.9p. After adjusting for the slight weakening of the dollar since our May initiation, our sterling valuation for the company now stands at £24.5m (£21.9m). We continue to apply a 30% sovereign risk discount to this valuation. After accounting for the recent share issuance this brings us to a new target price of 25.3p (25.9p), which in itself is a 3.4% discount to our FY2012 tangible NAV/share forecast of 26.2p.

Given that the current share price of 10.75p is some 135% below our target price, and the continued robust double digit revenue expansion profile of the company's core investments, we consider Cambria to be both a growth and a deep value investment proposition. However, given the perceived geopolitical risk of doing business in Zimbabwe, we retain our recommendation of **Speculative Buy**.

Fig 01: Sum of the parts Valuation

| | | |
|---|-------------|--|
| Celsys | 1.7 | Net asset value per Celsys 2011 Annual Report. Celsys has the potential to more than double revenues in the medium term due to improving competitive position and economic growth |
| Millchem | 5.8 | Valued at just 1x forecast FY2013 revenues. Millchem is not yet profitable on an annual basis but our projections show it turning EBITDA positive in 2013. New products for the paints industry, mining industry growth rates and potential cross border expansion give room for upside. |
| PayServ | 12.5 | Cambria's most profitable subsidiary. Valued at 4x FY 2013 EBITDA. Extremely conservative compared to the likes of Paypoint at 11x. |
| Leopard rock | 17.0 | Book value of the property as per Cambria's corporate presentation |
| Additional Spend on Castle | 0.7 | As per March Announcement |
| Debt | (4.7) | 2012 Forecasts |
| Net Additional Funds Raised | 1.4 | RNS |
| Contingent Assets | 1.4 | From RNS report heavily discounted by 75% |
| Properties | 3.9 | Per presentation |
| Total | 39.8 | |
| Sovereign Risk Discount | -30% | |
| Target Valuation | 27.8 | |
| £/\$ Rate | 1.62 | |
| Target Valuation in £m | 17.2 | |
| Post placing shares in issue (should Celsys be an all share deal) (m) | 67.8 | |
| Target Price (p) | 25.3 | |

Source: WH Ireland research / Company data

Millchem and Celsys achieved particularly high revenue growth of 126% and 65% respectively

Paynet grew transaction volumes by 48% to 12.3 million

At The Leopard Rock Hotel occupancies improve by 8 percentage points to 46%

Gross profit at Celsys leapt 159% to \$0.6m

MillChem's revenues increased 126% to \$3.8m

A number of further write offs and exceptional costs will be recognised in H2

Trading Update

On 18th September Cambria issued a trading update for the year ending August 2012. Total revenue was up 35% to \$12.9m with stronger growth of 52% in Cambria's core portfolio to \$12m. All core investments enjoyed strong double digit revenue and gross profit growth. Cambria has now disposed of or exited all non-core activities. Core gross profit was driven ahead 47% to \$6.8m equivalent to a margin of 57% (59%). Millchem and Celsys achieved particularly high revenue growth of 126% and 65% respectively albeit with Millchem only entering the mining chemicals sector part way through FY2011.

Cambria's financial services focussed Business Process Outsourcing subsidiary, Payserv, saw significant growth across all of its services. Autopay now provides payroll services to 172 customers, up 52%. Tradanet ended the period with loans under management of \$100m up 138%. Payserv's largest business, Paynet has increased its corporate client list by 36% to 1,500 and grew transaction volumes by 48% to 12.3 million. Looking ahead Payserv is in the process of upgrading its EDI product (payment instructions) to a fully fledged Electronic Fund Transfer system which will increase its addressable market. We anticipate that the EDI product would not be replaced but rather run alongside the EFT system, with EFT opening up the retail market, and the spare EDI capacity being used to offer new document transfer services to the likes of pension funds and insurance companies.

Furthermore, Payserv has been encouraged by its Zimbabwean bank clients to explore opportunities in Zambia and is currently actively pursuing this.

At The Leopard Rock Hotel occupancies improved by 8 percentage points to 46% whilst average room rates dropped 6% to \$111, leading to an aggregate improvement of RevPAR of 16% to \$51.

Cambria stated that Celsys had been able to further consolidate its position as one of the leading commercial printers in Zimbabwe. Gross profit leapt 159% to \$0.6m equating to a 12% point increase in margins to 32%. Cambria intends to purchase the remaining 40% of Celsys on admission to the Zimbabwe Stock Exchange. This was originally due to occur in August but has now been postponed to after the publication of Cambria's audited results which are expected by 30 November.

MillChem has had a particularly strong 12 months increasing revenues by 126% to \$3.8m and gross profit 93% to \$0.7m. The value-added chemicals distributor has leading market positions in Zimbabwe in solvents and metal treatment products. It recently started distributing mining chemicals and alkyd resins. During the second half of FY2012, it was able to make initial sales into Zambia, and will continue to pursue regional expansion.

Further to the \$10.8m of accelerated write-offs relating to intangible assets Cambria reports that it will recognise a further \$3.3m of write offs in the full year numbers related to the sale of its aviation assets. In H1 Cambria recognised \$439k of costs associated with the transition away from Cambria's former largest shareholder Lonrho. Cambria expects some of these costs to continue to be incurred by the Company in the forthcoming half of FY2013.

We see an improvement in our FY2012 adjusted loss per share forecast to 8.9c (10.0c).

We now see net debt at the year end of \$4.7m vs our previous \$6.2m expectation.

In 2013 we are forecasting over 30% growth in core revenues...

And a maiden profit at divisional EBITDA level

We have decreased our loss per share forecast from 5.92c to 3.61c

We see net debt falling by \$1.15m over FY 2013 to \$3.6m

Forecasts

We have adjusted our forecasts to reflect the recent trading update. We have reduced our revenue forecast by 3% to \$12.9m and our Gross Profit forecast by 8% to \$6.9m due, in part, to lower than expected performances at the now disposed non-core businesses. Although this results in a 19% increase in our adjusted pre-tax loss forecast to \$3.6m, having adjusted our minority interest expectation, we now see an improvement in our adjusted loss per share forecast to 8.9c (10.0c).

We have amended our cash flow forecasts to reflect asset sales and a less onerous working capital outflow and now see net debt at the year end of \$4.7m vs our previous \$6.2m expectation. This is prior to yesterday's fund raising which took place post year end. The debt position is largely funded by a \$3m loan facility, announced on 12 March, which on maturity (\$1m on 31 March 2013 and \$2m on 31 March 2014) may be exchanged by the lender for convertible loan notes.

We have also revisited our 2013 forecasts. Given the sale of CES we have now excluded the \$1.5m of revenue that we were previously incorporating. However, given the strong momentum being experienced at Millchem, we are increasing our FY2013 forecast for this division to \$5.8m from \$4.1m. We have reduced our revenue forecast for Celsys from \$2.6m to \$2.0m, although we understand that should Cambria invest in further printing equipment for Celsys, there are further significant commercial opportunities available. We continue to look for 7% revenue growth at the leopard Rock Hotel equating to \$2.7m and have marginally upgraded our expectation for Paynet revenues to \$5.2m from \$5m. In aggregate this equates to a forecasted increase in annual revenues of 21.8% to \$15.7m vs our previous expectation of \$15.9m. In terms of revenues from core investment, this represents an annual increase of 30.8%.

We are forecasting a 24.7% increase in gross profit to \$8.6m (\$8.9m). Due to a mix change in our forecasts we are revising our divisional EBITDA forecasts down a fraction to \$1.30m (\$1.46m), which is still impressive against a forecasted \$0.25m loss for 2012.

On an adjusted basis our Group EBITDA forecast is for a loss of \$0.35m (previously \$0.04m), an improvement of 85% over 2012 estimates. As such our adjusted pre-tax loss forecast increases to \$2.1m from \$1.9m but, taking into account the expansion of shares in issue and the removal of certain minority interests, our adjusted loss per share forecast decreases from 5.92c to 3.61c.

Our operating cash flow forecasts remain relatively unchanged with a net out flow of \$0.95m. However the combination of deferred receipts from recent asset sales and the recent fundraising sees us change our overall movement in net funds move from a negative \$0.64m to an inflow of \$1.15m, resulting in year-on-year contraction in net debt to \$3.6m.

Income Statement

Fig 02: Income Statement

| US\$000 y/e August | 2011A | 2012E | 2013E | Growth |
|---|-----------------|-----------------|----------------|---------------|
| Revenue | 9,587 | 12,912 | 15,722 | 21.8% |
| COGS | (4,219) | (5,986) | (7,089) | |
| Gross Profit | 5,368 | 6,926 | 8,633 | 24.7% |
| <i>Margin</i> | 56% | 54% | 55% | |
| Divisional operating costs | | (7,766) | (7,332) | -5.6% |
| Divisional EBITDA | | (840) | 1,301 | |
| <i>Margin</i> | | | 8.3% | |
| Central Costs | | (2,500) | (2,500) | 0.0% |
| <i>Non recurring costs</i> | | (3,190) | - | |
| <i>Profit/(Loss) from</i> | | | | |
| Operating costs | (14,420) | (13,456) | (9,832) | -26.9% |
| Accelerated write-offs | (528) | (14,100) | - | |
| Adjusted operating loss | | (3,340) | (1,199) | |
| Reported operating loss | (9,580) | (20,630) | (1,199) | -94.2% |
| Net Finance Income/Charge | (664) | (300) | (900) | |
| Adjusted loss before tax | | (3,640) | (2,099) | |
| Reported loss before tax | (10,244) | (20,930) | (2,099) | -90.0% |
| Income tax | 69 | - | - | |
| Adjusted loss for the year | | (3,640) | (2,099) | |
| Loss for the year | (10,175) | (20,930) | (2,099) | -90.0% |
| Attributable to: | | | | |
| Owners of the Company | (9,195) | (22,230) | (2,399) | -89.2% |
| Owners of the Company (Adjusted) | | (4,940) | (2,399) | |
| non controlling interest | (980) | 1300 | 300 | |
| Loss for the year | (10,175) | (20,930) | (2,099) | |
| Shares in issue | 48.2 | 55.3 | 66.5 | |
| Diluted Shares in issue | 48.2 | 55.3 | 66.5 | |
| Basic and diluted profit/(loss) per share USc | (19.10) | (40.20) | (3.61) | -91.0% |
| Adjusted basic and diluted profit/(loss) per share USc | (18.00) | (8.93) | (3.61) | |
| Adjusted Group EBITDA | | (2,340.4) | (348.7) | |

Source: WH Ireland research / Company data

Cash Flow Statement

Fig 03: Cash Flow Statement

| US\$000 y/e August | 2011A | 2012E | 2013E |
|--|----------------|----------------|----------------|
| Loss for the year | | (20,930) | (2,099) |
| Amortisation of intangible assets | | 500 | 500 |
| Depreciation of property, plant and equipment | | 1,000 | 1,150 |
| Finance income | | 300 | 900 |
| Finance costs | | | |
| Accelerated write off | | 14,100 | |
| Loss on sale of property, plant and equipment | | (575) | |
| Operating cash flows before movements in working capital: | (5,438) | (5,605) | 451 |
| Increase in inventories | (260) | (371) | (500) |
| Decrease/(increase)in receivables | 265 | (300) | (300) |
| (Decrease)/increase in payables | (240) | 400 | 300 |
| Cash used in operations | (5,674) | (5,876) | (49) |
| Interest paid | (241) | (300) | (900) |
| Interest received | 300 | | |
| Net cash used in operating activities | (5,615) | (6,176) | (949) |
| Proceeds from disposal of property, plant and equipment | 1,108 | 61 | - |
| Purchase of property, plant and equipment | (1,655) | (1,200) | (900) |
| Purchase of intangibles | (1,082) | | |
| Proceeds from sale of investments | 142 | 1,602 | 1,570 |
| Acquisition of investments | (61) | | - |
| NET CASH USED IN INVESTING ACTIVITIES | (1,547) | 463 | 670 |
| Proceeds from the issue of share capital | 7,872 | 1,448 | 1,400 |
| Transaction costs of issue of shares | (226) | | 20 |
| (Repayment of)/proceeds from loans | (75) | 3,382 | - |
| NET CASH FROM FINANCING ACTIVITIES | 7,571 | 4,830 | 1,420 |
| Net increase/(decrease) in cash and cash equivalents | 409 | (883) | 1,141 |
| Cash and cash equivalents at 1 September | 451 | 1,029 | 146 |
| Foreign exchange movements | 169 | - | - |
| CASH AND CASH EQUIVALENTS AT 31 AUGUST | 1,029 | 146 | 1,287 |
| Opening net cash/(debt) | 6,522 | (471) | (4,736) |
| Movement in net debt | (6,993) | (4,265) | 1,141 |
| Closing net debt | (471) | (4,736) | (3,595) |

Source: WH Ireland research / Company data

Balance Sheet

Fig 04: Balance Sheet

| US\$000 y/e August | 2011A | 2012E | 2013E |
|---|---------------|---------------|---------------|
| Property, plant and equipment | 32,694 | 32,726 | 32,476 |
| Goodwill | 8,332 | 717 | 717 |
| Other intangible assets | 6,825 | 3,140 | 2,640 |
| Longterm Receivables | 1,488 | 1,788 | 518 |
| Deferred tax assets | 1,304 | 1,304 | 1,304 |
| TOTAL NON-CURRENT ASSETS | 50,643 | 39,675 | 37,655 |
| Assets held for sale | 3,451 | - | - |
| Other investments | 109 | 109 | 109 |
| Inventories | 814 | 1,185 | 1,685 |
| Trade and other receivables | 3,026 | 2,257 | 2,257 |
| Cash and cash equivalents | 1,076 | 193 | 1,334 |
| TOTAL CURRENT ASSETS | 8,476 | 3,744 | 5,385 |
| TOTAL ASSETS | 59,119 | 43,419 | 43,040 |
| Issued share capital | 10 | 10 | 10 |
| Share premium | 75,951 | 77,399 | 78,819 |
| Revaluation reserve | 6,263 | 6,263 | 6,263 |
| Share based payment reserve | 270 | 270 | 270 |
| Foreign exchange reserve | (12,535) | (12,535) | (12,535) |
| Retained losses | (17,150) | (39,380) | (41,779) |
| TOTAL EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY | 52,809 | 32,027 | 31,048 |
| NON-CONTROLLING INTERESTS | (740) | 560 | 860 |
| TOTAL EQUITY | 52,069 | 32,587 | 31,908 |
| Provisions | 1,024 | 1,024 | 1,024 |
| Deferred tax liabilities | 1,332 | 1,332 | 1,332 |
| TOTAL NON-CURRENT LIABILITIES | 2,356 | 2,356 | 2,356 |
| Bank overdrafts | 47 | 47 | 47 |
| Current tax liabilities | 262 | 262 | 262 |
| Interest bearing loans | 1,500 | 4,882 | 4,882 |
| Trade and other payables | 2,885 | 3,285 | 3,585 |
| TOTAL CURRENT LIABILITIES | 4,694 | 8,476 | 8,776 |
| TOTAL LIABILITIES | 7,050 | 10,832 | 11,132 |
| TOTAL EQUITY AND LIABILITIES | 59,119 | 43,419 | 43,040 |
| Net Assets | 52,069 | 32,587 | 31,908 |

Source: WH Ireland research / Company data

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.

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 March 2012 the distribution of all our published recommendations is as follows:

| Recommendation | Total Stocks | Percentage % | Corporate |
|-----------------|--------------|--------------|-----------|
| Buy | 59 | 83% | 36 |
| Speculative Buy | 6 | 9 | 3 |
| Outperform | 5 | 7 | 4 |
| Market Perform | 1 | 1 | 1 |
| Underperform | 0 | 0 | 0 |
| Sell | 0 | 0 | 0 |
| Total | 71 | 100 | 44 |

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

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WH Ireland acts as NOMAD and Broker to the company.

#WH Ireland makes markets in the company.

¹WH Ireland holds 6.78% of the shares in the company.

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.

Companies Mentioned

| Company Name | Recommendation | Price | Price Date/Time |
|--------------|----------------|--------|-----------------|
| Paypoint | N/A | 736.5p | 10:33 01/10/12 |
| Lonrho | BUY | 9.25p | 10:33 01/10/12 |

Share Price Date/Time

| Company Name | Recommendation | Price | Price Date/Time |
|----------------|-----------------|--------|-----------------|
| Cambria Africa | Speculative Buy | 10.75p | 10:33 01/10/12 |

Summary of Company Notes

| Headline | Date |
|--|---|
| Placing eases strain on working capital – Strong Trading continues | Placing boosts working capital – Strong trading continues |
| A fresh start | 28 June 2012 |
| Proposed management changes and change of name | 01 February 2012 |
| Finals – Foundations in place to profit from Zimbabwe recovery | 14 November 2011 |
| Interims show progress as economy stabilises | 2 June 2011 |
| Initiation of coverage | 22 March 2011 |

Summary of Security Recommendations

| Recommendation | From | To | Analyst* |
|-----------------|------------------|------------------|----------|
| Speculative Buy | 22 March 2011 | 14 November 2011 | PA |
| Speculative Buy | 14 November 2011 | Current | CA |

*Current Analyst (CA), Previous Analyst (PA)

Disclaimer

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