EDISON

Ocean Wilsons Holdings

Sailing against the wind

Business review

Investment trusts

We forecast Wilson Sons' (WSON's) EBITDA to fall 6% y-o-y this year, still affected by the sluggish Brazilian economy and a tough competitive environment, before rebounding 10% in 2020. However, our Ocean Wilsons (OCN) 2019 forecasts are boosted by good returns in the investment portfolio. The business continues to benefit from the stabilising effect of the diversification of earnings by activity and currency and ownership of its international investment portfolio (OWIL). The current 42% discount to a look-through valuation is above its long-term average in the mid-20s.

Year end	Revenue ($m)	PBT* ($m)	EPS* (c)	DPS (c)	P/E (x)	Yield (%)
12/17	496.3	145.5	221.5	70	5.2	6.1
12/18	460.2	60.2	37.6	70	30.5	6.1
12/19e	406.3	74.7	107.0	70	10.7	6.1
12/20e	441.8	65.5	82.1	74	14.0	6.4

Note: *PBT and EPS are normalised, excluding amortisation of acquired intangibles, exceptional items and share-based payments.

Headwinds continue in 2019

The key headwinds that affected WSON's business in 2018 have largely continued into 2019: weak growth in the Brazilian economy, a slow oil and gas sector, price pressure in port towage and excess capacity in the offshore vessel businesses. As a result, we expect WSON's FY19 EBITDA to fall 6% y-o-y; this is equivalent to a fall of 15% if we removed the impact of IFRS 16 on 2019 numbers. We see the pressures remaining for the rest of the year before improving in 2020. On the other hand, OCN's investment portfolio has been performing well and a relatively more stable Brazilian real (FX-related movements had a significant impact on the translation of balance sheet net monetary items, loans and deferred tax in 2018) should help OCN's earnings in 2019. We forecast FY19 EPS of 107p (FY18: 38p).

Growth story remains intact

Brazilian growth is expected to pick-up in 2020 (the IMF forecasts GDP growth of 2.4%, vs 0.8% in 2019), the oil and gas sector should benefit from further auctions and privatisations, and we expect towage prices to improve as some smaller operators cut their losses. We expect OCN's EBITDA to improve by 5.1% y-o-y in 2020. The forecast FY20 EPS decline at OCN reflects conservative assumptions regarding the international investment portfolio (OWIL). Subject to political and economic developments, the secular growth story should reassert itself and we look for container volume growth (5–6%) to be about twice the real Brazilian GDP growth in the medium term. WSON has good assets and strong competitive positions in its key business areas.

Valuation: A sizeable discount to look-through value

OCN is trading at a 42% discount to its look-through value, which comprises the market value of the stake in WSON and the last reported value for the investment portfolio held by OCN. WSON is trading at EV/EBITDA multiples of 7.0x (2019e) and 6.3x (2020e), more than 20% below its peers despite its relatively depressed profitability.

11 September 2019

Price	**890.0p**
Market cap	**£315m**
	US$1.20/£
Net debt (£m) at H119	454
Shares in issue	35.4m
Free float	36%
Code	OCN
Primary exchange	LSE
Secondary exchange	Bermuda

Share price performance

%	1m	3m	12m
Abs	(15.6)	(19.1)	(15.2)
Rel (local)	(16.2)	(18.3)	(14.6)
52-week high/low	1,280.0p	880.0p	

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

Trading update	November 2019

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Edison profile page

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Investment summary

Headwinds continue in 2019

The sluggishness of the Brazilian economic recovery after the 2014–16 downturn continued from 2018 into 2019. The IMF cut its 2019 GDP growth forecast for Brazil in July this year to only 0.8%. At the same time, price competition in the towage and offshore vessel business has hurt results despite WSON's strong market position. The container terminal business has been relatively more resilient and volume growth is up 2% y-o-y in H119, despite the Rio Grande terminal being hit by the cancellation of two feeder lines from Argentina, which has affected transhipment. As a result, the most recent results in Q219 showed WSON's EBITDA (pro forma with the offshore vessel JV) down 6.8% y-o-y. The decline would be 19% y-o-y if we adjust for the $5.3m in leasing costs that the introduction of IFRS 16 in 2019 moved to depreciation. We are not expecting the situation to improve much for the remainder of the year and are forecasting a year-on-year decline in WSON FY19 EBITDA of 6% even with reallocation of the leasing costs due to IFRS 16.

Potential recovery ahead

We assume a healthier economy in 2020 (the IMF forecasts 2.4% GDP growth). There have been positive developments in Brazil and we see investor confidence rising. The government looks likely to have gained space to allow a more accommodative fiscal and monetary policy stance in the future and this should also boost growth. The outlook in the oil and gas sector is also improving with a further auction of pre-salt concessions coming. However, there is a long lead time for the impact of the oil and gas sector on service companies like WSON. As such, although we expect to see a better 2020 (OCN EBITDA forecast +5.1% y-o-y), we believe a significant improvement will only come from 2021.

Secular growth story remains intact

The longer-term growth story in Brazil remains in place despite the current phase of political uncertainty. Subject to the resolution of near-term political challenges, GDP and trade growth could return to higher rates. The outlook for the container terminals is underpinned by relatively low containerisation in Brazil of just under 50 containers per 1,000 people in 2017 compared with an average of 74 for Latin America, 193 in the OECD and 295 in high-income countries (World Bank definition). Container transportation volume has grown at a 7.1% CAGR vs 2.1% for GDP in the last 15 years to 2018. Looking ahead, we see container volume growth of 5–6% a year in the context of 3% GDP growth as a reasonable expectation.

OWIL investment portfolio up 7.5% in H119

OCN's international investment portfolio (OWIL) NAV was up 7.5% y-o-y in H119 and this boosted OCN's results. We are only pencilling in a 7% gain on the fair value of the assets for the full year due to the uncertain markets and then forecasting a 4% increase in 2020. The lower OWIL 2020 assumption explains our forecast 23% decline in OCN's EPS in 2020 despite improving numbers from WSON.

Valuation: 42% discount to look-through valuation

Ocean Wilsons is trading at a 42% discount to its look-through value, which comprises the market value of the stake in WSON and the last reported value for the investment portfolio held by Ocean Wilsons. WSON's discount ratings compared to peers reflect not just some Brazil country risk but also concerns regarding the price pressures it is currently facing in some of its divisions, which have so far weighed down on its results in 2019.

Brazilian maritime services and international portfolio

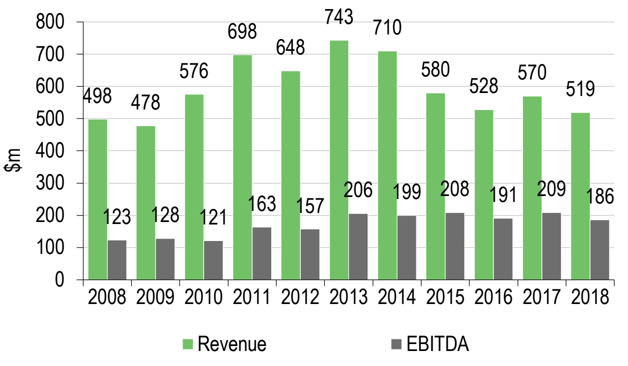
Ocean Wilsons is a Bermuda-based investment company with two main assets: a controlling 58.17% stake in WSON, a quoted Brazilian maritime services company; and an international investment portfolio held in its OWIL subsidiary. Ocean Wilsons is listed in Bermuda and London, whereas WSON is listed in São Paulo. The market value of the WSON stake accounts for 57% of a look-through value of Ocean Wilsons, the investment portfolio for the remaining 43%.

WSON is one of the largest providers of maritime services in Brazil, with activities including harbour and ocean towage, two container terminals, offshore oil and gas support services and shipyard, ship agency and logistics services. Towage (36%), container terminals (41%) and offshore support vessels (16%) together accounted for over 93% of pro forma EBITDA (including the 50% owned offshore joint venture) in Q219. Trends in Brazilian trade volumes and the oil industry are important drivers of revenue and profits. Direct exposure to the oil industry is through the offshore support vessel joint venture (JV) and Brasco (3% of EBITDA).

WSON reports in US dollars and earns c 55% of revenues in that currency, while c 85% of its costs are in Brazilian reais. To offset its naturally long dollar business, its debt is almost 95% dollar or real-dollar linked. This helps moderate the impact of foreign exchange moves on earnings. The currency mix, the diversification activities and its good competitive position have contributed to EBITDA resilience during periods of economic downturn such as in 2014 to 2016 and accompanying Brazilian real currency weakness.

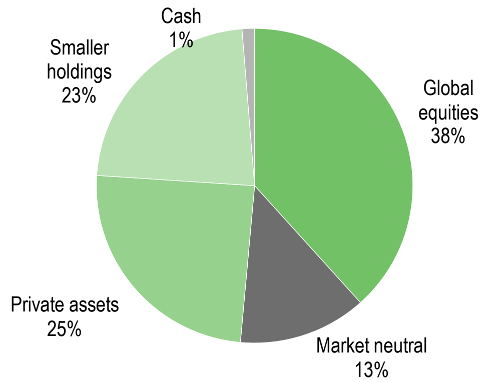
OWIL's investment objective is to achieve long-term capital growth and preserve capital by investing in a diversified global portfolio across three categories: core regional funds, long-term growth funds (investing in technology and biotech for instance) and diversifying funds to provide protection against cyclical changes. The investment manager is Hanseatic Asset Management. Exhibit 2 gives an analysis of the portfolio's top 30 holdings at the end of H119, illustrating that the majority of exposure is to equity investments (including the majority of the 43 smaller holdings). Private assets account for 25%, reflecting the manager's view on the potential returns and the long-term horizon employed in considering investments. The portfolio also has a significant emerging markets weighting including equities and private investments (not shown in the pie chart).

Exhibit 1: Wilson Sons longer-term performance record



Source: Wilson Sons. Note: EBITDA pro forma including WSUT JV.

Exhibit 2: OWIL analysis of portfolio (H119)



Source: Ocean Wilsons Holdings

Container terminals

WSON operates two large container terminals in Brazil. One is in Rio Grande, near the southern city of Porto Alegre, Brazil's fourth largest metropolitan area with 4.5 million people. The other is in the city of Salvador, one of the three largest cities in north-east Brazil with a metropolitan population of four million. The container terminals are the only dedicated container terminals in the states in which they operate and Salvador has had its concession contract extended recently (at the price of further investment and expansion of facilities) to 2050.

The Rio Grande terminal moved 737k twenty-foot equivalent units (TEU) in containers in 2018, Salvador moved 309k TEU, and about two-thirds are full containers. International trade makes up around 70% of full container volume in both ports. Both ports are operating at relatively low capacity: Rio Grande's capacity is 1.42m TEU (52% utilisation in 2018), while Salvador is expanding from 435k (71% utilisation) to 1.1m TEU by 2021 (as required by the concession extension). This is a high fixed-cost business (c 40%) and our forecast 2019 EBITDA margin is 49%. WSON believes that 80% capacity utilisation could add another 10 percentage points to the EBITDA margin for both terminals. Capacity utilisation in many Brazilian container terminals is also low; however, this is a growth segment in Brazil suggesting utilisation could rise progressively.

Brazil's level of containerisation is still relatively low, so container volume growth appears likely to remain above GDP levels. Currency movements affect the mix of imports and exports and the Brazilian ports benefit from some downside protection during economic recession because the accompanying weaker currency boosts exports. Container competition comes not only from alternative modes of transport (such as rail and road, in the case of cabotage), but also from adjacent ports. In the case of Rio Grande terminal, the relevant ports are Navegantes, Itapoá and Itajaí terminals in Brazil and Montevideo in Uruguay as well as the smaller, but closer Imbituba (which is struggling itself with volume down 30% during the first half of 2019). The competition boils down to price, service quality and the ability to take in larger ships. We note, however, that most of Rio Grande's business comes from regions close to the terminal itself or the dedicated feeder terminal in the Triunfo area of Porto Alegre. In Salvador, the competition is more distant, but growing investments in Suape (near Recife) and Pecém (Fortaleza) may increase the pressure, as each port seeks to be the hub terminal and not the feeder for larger boats. Pecém has the advantage of being the major Brazilian port closest to Europe and North America. However, most of Salvador's business also comes from within a radius of 100km of the terminal, coming from the Salvador metropolis and the region around it.

Exhibit 3: WSON revenue analysis (H119)

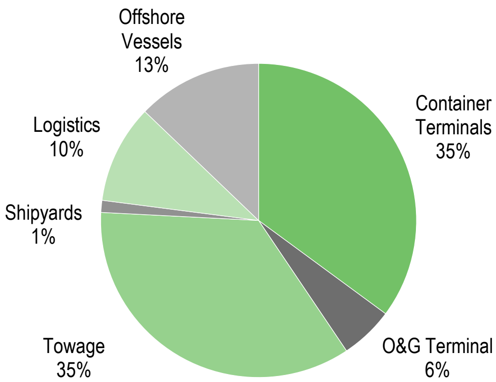
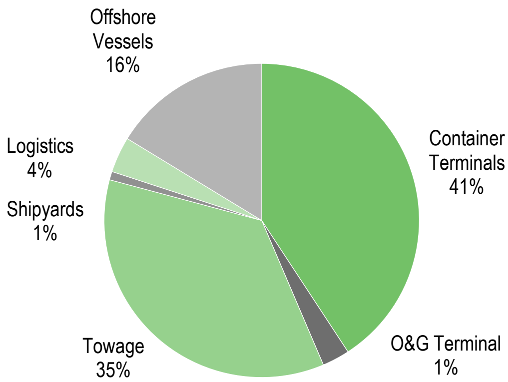


Exhibit 4: WSON EBITDA analysis (H119)



Source: Wilson Sons. Note: Offshore is pro forma share of JV.

No terminal exit

On 16 July 2018, WSON informed the market it was starting a process whereby it would evaluate the options regarding its container terminal and logistics businesses. The statement said this could include asset sales or the entry of a strategic partner. At the same time, it stressed that there is no certainty or commitment to any asset disposal. The relatively attractive prices of recent container terminal deals in Brazil encouraged management to take this step. A year later, on 23 July 2019, the company announced that it had concluded its assessment and it was not executing any transactions at present.

The 2017 Brazilian container terminal deals

Three significant Brazilian container terminal purchases took place in 2017 and we believe they are worth noting. These transactions likely had some impact on the decision for WSON to review its strategic options regarding its two container terminals. They were: (1) the TCP terminal in Paranaguá purchased by China Merchant Ports; (2) Embraport terminal in Santos by Dubai Ports International; and (3) Portonave terminal in Navegantes by Mediterranean Shipping Company. In the second and third cases, an existing shareholder was taking full control of the terminal, while China Merchant Ports was a new entrant.

Exhibit 5 summarises these deals, including prices and estimated multiples. In the case of Embraport, the actual price was undisclosed; Dubai Ports only stated it was less than 5% of its H117 NAV. We used this 5% figure in our calculations ($255m). The table gives us some indication of what the WSON container terminals might be worth, with the caveat of differences in the nature of the assets, deals and timing. The differences range from profitability (TCP and Portonave have higher EBITDA margins) to issues such as revenue sources outside TEU handling (TCP has much more than Dubai for example) and even investment projects and licences.

We also note that ICTSI, a large Philippine global container terminal operator, acquired just recently in July 2019 the Terminal 1 (T1) in Rio from the troubled Libra group. This however is a smaller terminal with only 135k TEU volume in 2018 and 530k annual capacity. The price was US$197m for 100%, equivalent to $1,318 per TEU annual volume. This is actually a premium over the deals in 2017, but we believe the scope to raise volumes in this terminal in Rio is greater. In fact, volume in the first half of 2019 was already up 34% y-o-y in T1 Rio.

We would note that the prices certainly looked interesting from a seller's perspective and we think reflect three factors: the growth profile of Brazilian container markets; the quality and size of the assets sold; and the ongoing expansion race between the large global players.

Exhibit 5: Three Brazilian large terminal container deals in 2017

Container terminal	TCP	Embraport	Portonave
Port	Paranaguá	Santos	Itajaí
Buyer	China Merchant Ports	Dubai Ports World	Mediterranean Shipping Co (MSC)
Price	$920m for 90%	$255mn for 66%*	$400m for 50%
Implied 100% EV based on adjusted net debt , $m	1,259	993	899
Stated capacity 2017 (TEU thou)	1,500	1,200	1,500
Volume handled 2017 (TEU thou)	752	618	883
EBITDA 2017 ($m)	102	24	98
EBITDA margin %	58	31	63
EV/EBITDA 2017 (x)	**12.4**	**41.5**	**9.2**
EV/stated capacity 2017 ($ per TEU)	839	828	533
EV/volume handled 2017 ($ per TEU)	1,674	1,607	906
Comment	Expanding to TEU 2.4m in 2019.	Takes stake to 100%. One of three large terminals in Brazil's largest port	Takes MSC effective stake to 100% (sister company TIL owns other 50%)

Source: ANTAQ, company reports, Edison Investment Research. Note: *Based on Dubai Ports World indication.

Scarcity value

As a large market, Brazil has been on the global players' radars for some time. Consequently quite a few assets have been either acquired or built and expanded. The remaining independently owned ports may therefore have some scarcity value, which is a positive point for WSON should it ever reconsider its strategic options.

In terms of strategic location and size, the other significant independent terminals left in Brazil are:

- **Santos Brasil terminal in Santos port** – owned by Santos Brasil, a listed Brazilian company in a good financial position. It is tightly held, with a 31% free float. We note that Santos Brasil trades at a 2019 EV/EBITDA of 18.4x. This and Maersk's BTP terminal in Santos are Brazil's busiest terminals.
- **Two terminals in the Rio de Janeiro area.** After the recent sale of Libra's terminal in Rio, there is still one independent (Terminal 2, owned by Multi-Rio) in Rio and another is further away and owned by CSN Steel group. For the right price, we can certainly see CSN selling the container terminal.

WSON's combined assets are bigger than any of these with the exception of Santos Brasil.

Exhibit 6 lists Brazil's 21 largest container ports (which account for 99% of volume) and their TEU volume during H119.

Global consolidation

The international players in Brazil are looking to obtain either greater vertical integration, giving more efficient shipping scheduling for those with large shipping businesses (eg Maersk, MSC), or global expansion with diversification and gains from greater scale (eg Dubai Ports World, ICTS). Interest could conceivably come from those companies that already own container terminals in Brazil, and potentially from large global terminal players not yet present in Brazil such as Singapore's PSA, Turkey's Yildirim and China's Cosco, Shanghai Ports or Hutchison, or shipping lines.

The trends towards shipping line consolidation and larger ships are likely to shape future competitive pressure on container terminals. The consolidation is being reinforced by shipping alliances, such as 2M with Maersk and MSC or the Ocean Alliance with CMA-CGM, Cosco/OOCL and Evergreen. In fact, the three big alliances now account for almost 80% of global container movement, which is likely to influence the service and prices they seek from container terminals. We feel these trends might have also been a factor encouraging WSON to reassess its container port investments. The fact that Brazil is a growth market mitigates some of the stress that consolidation could generate in a market with ample spare capacity, but we also note that capacity is being increased in many ports, often ahead of actual business needs to comply with concession extensions.

Exhibit 6: Brazil's largest 21 container terminals, H119 volume

Container terminal	Port	H119 TEU vol	H119 y-o-y	Share of Brazilian market (%)	Local Y/N	Owner	Comment regarding owner
Santos Brasil	Santos	780,703	14.6	16.0	Y	Santos Brasil	Brazilian, listed company, 3 terminals in 3 ports
BTP	Santos	636,352	-0.3	13.0	N	APM/Maersk (50%) and TIL/MSC (50%)	APM is world a top 10 terminal operator, sister company Maersk is the world's largest shipping line, MSC is world's second largest shipping line, TIL subsidiary is a major container terminals operator
TCP	Paranaguá	415,221	15.4	8.5	N	China Merchant Ports	World top 10 port operator, in 29 ports
Portonave	Navegantes	352,966	-3.8	7.2	N	TIL/MSC	see above
Itapoá	Itapoá	334,238	5.9	6.8	N	APM/Maersk	Originally Hamburg Sud before merger with Maersk
Rio Grande	**Rio Grande**	**323,185**	**-4.3**	**6.6**	**Y**	**Wilsons Sons**	**Brazilian, listed company, 2 terminals**
DP World	Santos	274,308	-1.6	5.6	N	Dubai World Ports	World top 10 in container terminals, in 78 terminals in 42 countries
Porto Chibatão	Manaus	255,316	70.9	5.2	Y	Grupo Chibatão	Brazilian
APM Itajaí	Itajaí	251,990	61.9	5.2	N	APM/Maersk	see above
Suape	Suape	220,685	6.0	4.5	N	ICTS	Yet another top 10 world container terminal operator, from the Philippines
Salvador	**Salvador**	**151,267**	**16.2**	**3.1**	**Y**	**Wilsons Sons**	**see above**
Pecém	Pecém	147,624	23.1	3.0	N	APM/Maersk	see above
Sepetiba	Itaguaí	127,392	-29.2	2.6	Y	CSN	Brazil listed steel manufacturer
Libra T35, T37	Santos	111,004	-54.7	2.3	Y	Grupo Libra	Brazilian, facing legal problems due to corruption charges, closed operations in April 2019
Term. Vila Velha	Vitória	108,918	17.0	2.2	Y	Log-in Logistica	Brazilian, listed company
Rio T2	Rio De Janeiro	89,725	8.6	1.8	Y	MultiRio	Brazilian, has working agreement with TIL/MSC
Rio T1	Rio De Janeiro	76,320	34.0	1.6	N	ICTS	ICTS recently purchased from troubled Libra group
Super Terminais	Manaus	62,831	-51.8	1.3	Y	Super Terminais	Brazilian
Vila do Conde Santos	Vila do Conde/Belem	50,471	-31.4	1.0	Y	Santos Brazil	see above
Imbituba	Imbituba	27,926	-29.5	0.6	Y	Santos Brazil	see above
Mucuripe	Fortaleza	20,327	-55.8	0.4	Y	Public	
Others		64,321		1.3			
Total		**4,883,090**	**2.8**	**100**			

Source: ANTAQ, Edison Investment Research

Towage

WSON operates the largest tug fleet in Brazil with 75 modern, mostly azimuth propulsion boats (July 2019) operating in all the major Brazilian ports and executing close to 50% of all manoeuvres in Brazilian ports in 2018. Apart from moving ships, tugs perform special operations such as firefighting, salvage and ocean towage. These command higher rates and margins and have on average contributed 14% of the division's revenues since 2008. Consolidation of shipping lines and the trend to larger ships have tended to slow the growth in the number of harbour manoeuvres, but increased the average deadweight towed at a compound annual growth rate of 4% between 2008 and 2018, supporting revenue growth. Owning its shipyards provides Ocean Wilsons an advantage in acquiring new tugs and in fleet maintenance. All domestic Brazilian operators enjoy regulatory protection and long-term, low-cost finance from the Fundo da Marinha Mercante. These benefits seem unlikely to change. The business is feeling an impact from the keen pricing by smaller operators and as well as Svitzer (controlled by Maersk), which has 14 boats and has indicated an intention to expand its market share.

Oil and gas support bases (Brasco)

Brasco operates two support bases (Brasco Niterói and Brasco Rio) in the Rio de Janeiro metropolis with a total of eight berths and a pipe yard (Guaxindiba) that service oil platforms. It buys, stores and delivers parts, consumables and food, and processes waste. In the longer term, as Brazil's large pre-salt reserves are more fully exploited, demand for Brasco's capacity should grow.

Offshore support vessels (OSVs)

Wilson Sons UltraTug Offshore (WSUT), a 50:50 JV with Ultramar, a Chilean offshore services company, has a fleet of 23 OSVs. Regulatory protection and low-cost finance exist, similar to that enjoyed by the towage business and the group's shipyard facilities are also of benefit to the OSV business. The fleet transports machine parts, consumables and other supplies to offshore oil and gas production and exploration operations in Brazilian waters. It operates under contracts with Petrobras, which have an average unexpired term of four years.

Petrobras's will continue to focus on production and exploration of the pre-salt reserves (already 36% of Brazil's oil production). The remaining contract duration provides good revenue visibility for WSUT, but prices are being affected by relatively low capacity utilisation. As with Brasco, although near-term growth may be muted as a result of the low oil price, in the longer term, development of pre-salt oil production seems likely to generate growth for WSUT.

Shipyards, logistics and agency

The two shipyards in Brazil's biggest port of Santos (Guarujá I and II) are well placed for the construction and maintenance of OSVs due to their proximity to the Santos and Campos oil basins. In the immediate future the business will also be seeking to win maintenance work to sustain activity levels and controlling costs to protect margins.

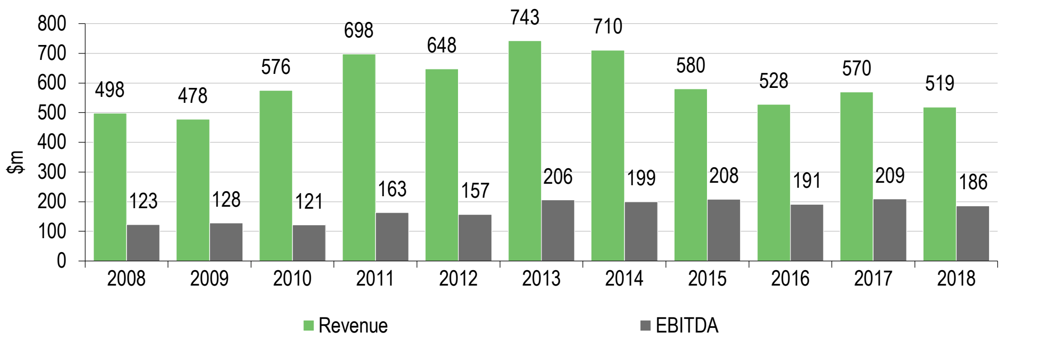
The logistics division includes distribution centres, transport and bonded warehousing with a focus on the latter. The depreciation of the real affected the bonded warehousing business as a result of reduced imports, while the withdrawal from low-margin dedicated operations has contributed to reduced revenues.

The shipping agency is the longest-established business line for WSON and operates in Brazil's main ports. It makes up a small part of the group and has had reduced revenues recently as shipping lines have taken the function in-house.

WSON revenue and EBITDA progression

Exhibit 7 shows the development of revenues and EBITDA since 2008 including WSUT on a pro forma basis. The period includes the global financial crisis and Brazil's own worsening economic difficulties over the last two years. Since the 2013 peak, revenue has fallen 30% in dollar terms although with the benefit of c 50% dollar-denominated revenues, costs primarily in Brazilian reais and internal operating efficiencies, the decline in EBITDA has been less pronounced. Towage and offshore made the biggest contributions to growth and since 2008 EBITDA has grown at a compound rate of 4.7%. For a discussion of Wilson Sons' Q219 results see page 10.

Exhibit 7: WSON's revenue and EBITDA progression



Source: Ocean Wilsons

WSON's Q219 and OWIL's H119 results

WSON

WSON's Q219 EBITDA fell 8.7% y-o-y on a reported basis. If we include the offshore vessel JV on a pro forma basis, the adjusted EBITDA declined 6.8%. The results were negatively affected by the weaker towage division figures and lower warehousing revenue in the container terminals. The latter was also affected by the loss of two feeder lines from Argentina, which hurt transhipment volume in the Rio Grande terminal. This loss had already been flagged earlier in Q119. If we exclude the impact of the introduction of IFRS 16 accounting, which reallocates leasing costs to depreciation ('right of use'), then the EBITDA would have dropped 15%. The impact of IFRS 16 is mainly in the container terminals and the logistics division.

Brasco (oil platform logistics support) and the oil platform offshore vessel support divisions reported EBITDA flat and up 2% y-o-y, respectively. The offshore vessel business continues to experience weak demand and excess capacity.

On the plus side, the relatively stable Brazilian real meant little in the way of currency translation losses in Q219.

Exhibit 8: WSON's pro forma segmental analysis including WSUT offshore JV

US$m unless stated	Q118	Q218	Q318	Q418	Q119	Q219	Change y-o-y	Change q-o-q
Net revenues								
Container terminals (TECONs)	46.9	42.5	48.3	45.3	40.8	39.8	-6.4	-2.5
O&G terminal (Brasco)	5.3	5.5	5.2	4.9	5.3	6.2	12.7	17.0
Towage	43.2	43.2	43.2	40.9	38.6	39.9	-7.6	3.4
Shipyards	6.7	8.2	3.2	5.9	1.6	1.4	-82.9	-12.5
Shipping agency	2.4	2.6						
Logistics	15.0	13.8	14.0	14.1	14.2	11.5	-16.7	-19.0
Corporate	0.0	0.0	0.2	0.0	0.0	0.0		
Offshore*	14.0	15.3	15.3	13.9	12.8	14.5	-5.2	13.3
Total	**133.5**	**131.1**	**129.4**	**125.0**	**113.3**	**113.3**	**-13.6**	**0.0**
EBITDA								
Container terminals (TECONs)	22.0	18.4	24.0	19.1	20.3	18.8	2.2	-7.4
O&G terminal (Brasco)	1.8	1.3	1.2	0.8	1.1	1.3	0.0	18.2
Towage	19.5	20.1	21.8	19.2	15.5	16.4	-18.4	5.8
Shipyards	0.6	0.3	0.5	1.3	0.2	0.4	33.3	100.0
Shipping agency	(0.2)	0.2						
Logistics	1.8	1.5	2.4	1.4	4.3	1.7	13.3	-60.5
Corporate	(4.1)	(5.2)	(4.2)	(4.9)	(4.0)	(5.2)	0.0	30.0
Offshore *	6.5	7.3	6.7	4.7	4.8	7.5	2.7	56.3
Total	**47.9**	**43.9**	**52.4**	**41.6**	**42.2**	**40.9**	**-6.8**	**-3.1**
EBITDA margins (%)								
Container terminals (TECONs)	46.9	43.3	49.7	42.2	49.8	47.2		
O&G terminal (Brasco)	34.0	23.6	23.1	16.3	20.8	21.0		
Towage	45.1	46.5	50.5	46.9	40.2	41.1		
Shipyards	9.0	3.7	15.6	22.0	12.5	28.6		
Shipping Agency	(8.3)	7.7						
Logistics	12.0	10.9	17.1	9.9	30.3	14.8		
Offshore*	46.4	47.7	43.8	33.8	37.5	51.7		
Total	**35.9**	**33.5**	**40.5**	**33.3**	**37.2**	**36.1**		

Source: Wilson Sons. Note: *The offshore business is added pro forma based on 50% stake. IFRS 16 introduced in 2019.

Container terminal revenues fell 6.4% y-o-y in Q219 but there was a positive underlying trend in the 10.5% increase in full volume containers. Rio Grande volumes were up year-on-year (4% full, 10% all), while Salvador full containers were up an impressive 23%, and 13.5% for all. Full containers generate more revenue than empty. The reported EBITDA margin was 47.2% vs 43.3%

a year ago; however, the Q219 EBITDA margin would have been 38.8% with the leasing costs included.

Towage revenues fell 7.6% y-o-y, driven by a 7% decline in harbour manoeuvres, which were down 15% on Q217 figures. Revenue per manoeuvre was up 0.8% y-o-y, reflecting continued price pressure. We also note that income from higher-margin special operations (such as firefighting, ocean towage, LNG terminal support) was 4% of total revenue, which is well below historical averages in the mid-teens.

The **offshore vessels JV (WSUT)** continues to be affected by the excess capacity and the renegotiated contracts with Petrobras, its only significant client in 2018/19. Revenue was down 5% y-o-y, but was down 29% from two years ago. The EBITDA margin was up this quarter to 51.7%, and was up 3% y-o-y. However, we note EBITDA is still down 31% from two years ago and that there was a 10% decline year-on-year in the number of chargeable days in operation.

In Exhibit 9 we collate WSON's operational data to the end of July. Container terminals handled 573.7k TEU for the year to July, down 2.2% y-o-y. Within this Salvador was up (+7.2%) and Rio Grande down (-6.0% y-o-y). We note that the mix improved noticeably in Salvador, with full containers (which bring more revenue) up 10.7% y-o-y and representing 84% of total volume handled year-to-date (last year 80%). The comparisons are somewhat flattered by the trucker's strike, which disrupted port activity last year. Towage volume and offshore vessels were both down year-on-year (6.6% and 10.5%, respectively), suffering the current headwinds from price pressure from competition (towage) and excess capacity (offshore vessels).

Exhibit 9: Operational metrics to end July 2019

	Ytd to July 2018	Ytd to July 2019	Change %
Container terminals			
Tecon Rio Grande (TEU 000s)			
Full	281.6	253.0	-10.1
Empty	134.4	137.9	2.6
Total Rio Grande	**416.0**	**390.9**	**-6.0**
Tecon Salvador (TEU 000s)			
Full	141.4	152.8	8.1
Empty	29.2	30.0	2.8
Total Salvador	**170.5**	**182.8**	**7.2**
Group total full	422.9	405.8	-4.0
Group total empty	163.6	167.9	2.7
Group total all	**586.5**	**573.7**	**-2.2**
Towage			
# of harbour manoeuvres	32,477	30,333	-6.6
Avgerage deadweights ('000 tons)	74.1	75.5	2.0
Offshore vessels			
# Own OSVs – end of period	23	23	
# Own OSV days in operation/ contract days	3,008	2,693	-10.5

Source: Wilson Sons

Currency movements between the US dollar and Brazilian real can have a significant effect on reported profits, with movements on working capital items, cash and cash equivalents, foreign currency borrowings and deferred tax contributing to a very significant total negative profit and loss movement of $17.5m in Q218, but a $1.8m gain in Q219. Excluding this post-tax earnings would have been $16.7m compared with the reported loss of $0.8m in Q218 and the pre-tax earnings in Q219 would have been $10.6m instead of the reported $12.4m.

OWIL investment performance

The OWIL investment portfolio NAV rose 7.5% during the first six months of 2019, compared with its 3.4% benchmark. However, it rose less than the MSCI All World Index (16.2%) and the MSCI

Emerging Markets (10.6%) reflecting the fund's relatively cautious positioning. OWIL contributed $22.8m to OCN's results in H119, accounted as 'investment portfolio returns'.

Exhibit 10: OWIL portfolio NAV performance analysis

%	H119	2018	Three-year average	Five-year average
Portfolio	**7.5**	**17.6**	**7.0**	**3.6**
Benchmark*	3.4	5.1	5.1	4.7
MSCI All Country World + FM	16.2	24.0	11.6	6.1
MSCI Emerging Markets	10.6	37.3	12.0	2.5

Source: Ocean Wilsons. Note: *Benchmark is US CPI Urban Consumers NSA +3% pa.

Outlook

2020 should be a better year

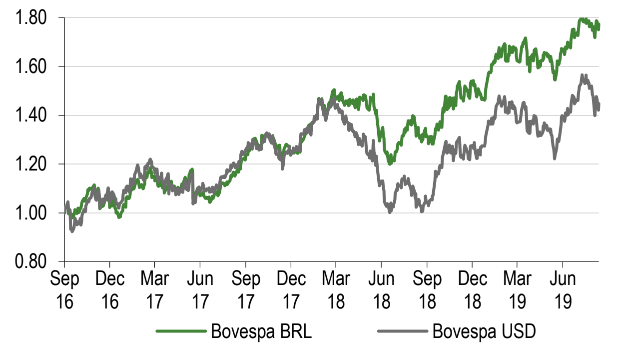
Brazil's economic recovery from its 2014–16 downturn has been sluggish and disappointing. The IMF in July 2019 cut its GDP forecast for 2019 to 0.8%, while the central bank cut its policy rate to 6%. There is room for optimism, though.

Inflation has been coming down and seems to have been tamed. The government budget also seems to be under control. This should allow a more expansive fiscal and monetary policy for 2020 and indeed we note that the IMF forecasts 2.4% GDP growth in 2020. The previous Temer government had passed some important legislation, especially on taxation reforms. Under the current president, Jair Bolsonaro, the pension reforms appear to be on track for approval. Addressing these sorts of issues should boost the economy. There is still more to be done in areas such as taxation, privatisations, bureaucracy and corruptions that if delivered as hoped could add further wind to the sail in the economic recovery.

Exhibit 11: Brazilian real/US dollar exchange rate

Source: Refinitiv

Exhibit 12: Bovespa index (three-year rebased)



Source: Refinitiv

Exhibit 13: Brazil economic forecasts (%)

	2014	2015	2016	2017	2018e	2019e	2020e	2021e
GDP growth	0.5	-3.5	-3.5	1.1	1.1	0.8	2.4	2.4
Unemployment	6.8	9.6	12.7	12.8	12.3	11.6	10.4	10.0
Inflation	6.3	9.0	8.8	2.9	3.7	4.4	4.3	4.4
Exports growth	-0.9	6.9	2.4	11.4	7.0	3.8	1.3	4.6
Imports growth	-1.9	-14.0	-9.8	5.1	6.7	8.4	3.6	5.8

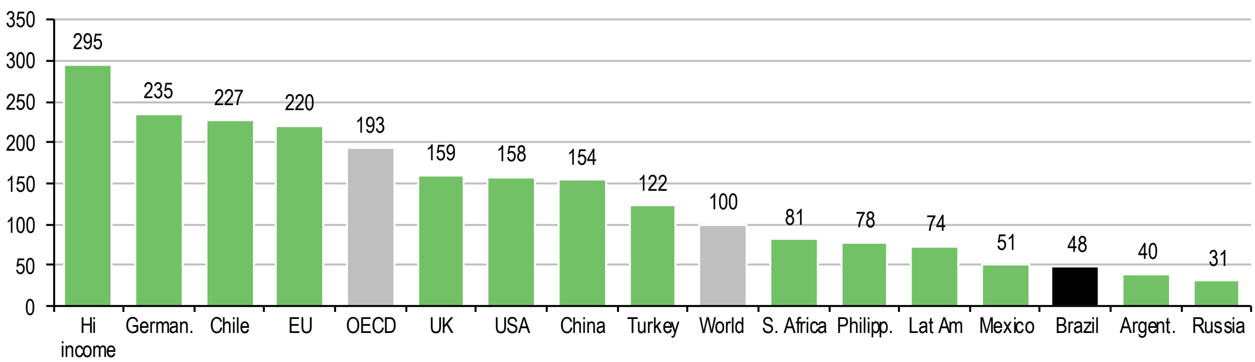
Source: IMF

Rising containerisation is a secular trend

The container density in Brazil is still relatively low at 48 containers per 1,000 people in 2017. This compares with almost 300 in high-income countries (World Bank definition), but is in line with most other Latin American emerging markets. More economically developed Chile is a bit of an outlier at 211 per 1,000, but this is also affected by geography.

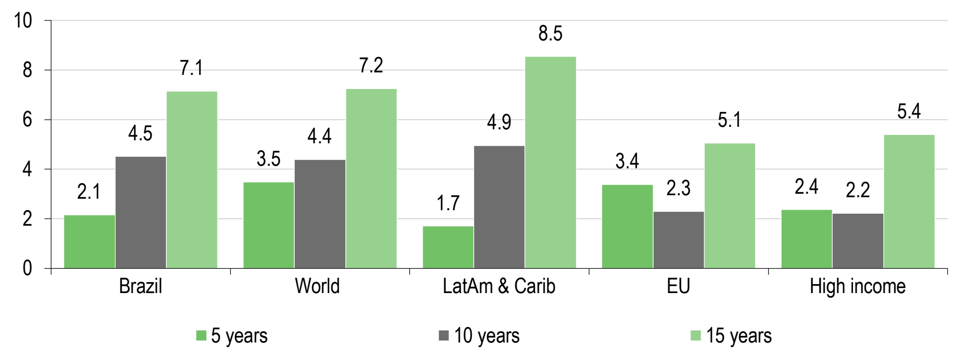
In Brazil, container volume has grown at a compound rate of 7.1% in the last 15 years, compared with 2.5% GDP growth. The CAGR since 2008 (just before the crisis) has been 4.5% for volume and 1.3% for GDP. Gone are the days when container movement grew on average in the mid-teens. However, we believe it is reasonable to expect average container volume growth of 5–6%, about twice medium-term real GDP growth estimates.

Exhibit 14: Containers per 1,000 people (2017)



Source: World Bank

Exhibit 15: Container volume CAGRs to 2017



Source: World Bank

International players' growing presence

A large growth market such as Brazil understandably attracts the attention of global players. This is especially true as companies try to gain advantage through vertical and horizontal integration and greater economies of scale. This includes terminal containers and towage. For WSON, the concern is that the shipping lines will increasingly prefer to use their own terminals rather than third-party facilities. WSON would possibly be able to exploit synergies (such as more efficient scheduling, container positioning, etc). It may also have larger resources for investments and keen pricing if needed. An example of the latter is in the towage business, where one of the disruptive players, Svitzer, is owned by Maersk.

Brazilian pre-salt market recovery

The conditions appear to be in place for a significant recovery and increased activity in the Brazilian pre-salt market after several years in the doldrums. Brazilian pre-salt reserves are both very large and of good quality. The Brazilian government has introduced legislation to increase the exploration of these deposits, which used to be dominated by Petrobras. Furthermore, it has successfully held auctions of pre-salt oil fields, which have been won by several international players. Another round of auctions is expected in the coming months. The break-even price for pre-salt reserves is around $35 per barrel, and oil prices have sustained a level comfortably above $50 per barrel throughout this year. The opening up of pre-salt exploration and a more favourable oil price should result in increased demand for oil support services. WSON's Brasco division's numbers have already started to improve. The offshore vessels impact is likely to be slower to feed through but should be seen from 2020 in our view. However, the lead times between an oil company successfully winning a pre-salt bid and then requiring the services of the WSON companies is long, often as much as three to four years.

This increased activity in the oil and gas sector will also have a positive impact on the towage business. Some of the price competition in recent quarters has been coming from small (sometimes family) operators who have migrated from oil and gas-related tugging to ports to survive during the downturn.

Financials

Ocean Wilsons' income and costs are essentially driven by WSON. However, the fair value adjustments in the investment portfolio business can have a significant impact below the operating profit line even though they are often non-cash. In 2019, we forecast an 8% decline in WSON's revenue to $477m and a 6% decline in EBITDA to $175m. This includes WCUT, the offshore vessels division, on a 50% pro forma basis (Exhibit 16). Excluding WCUT, the forecast reported EBITDA would be $149.3m.

We note that the introduction of IFRS 16 taints the comparison between 2018 and 2019. This affects mainly the container terminals and logistics businesses, which are the key lease assets in WSON. Adjusted for IFRS 16, the EBITDA in the container business would be $98m compared to the reported $83.5m. The logistics division's 2018 EBITDA would be $12m compared to $7.1m.

The forecast decrease in EBITDA for WSON and OCN in 2019 reflects the view that the towage division and offshore vessels division are likely to remain under price pressure and suffering from over capacity.

We forecast increases of 8.7% and 5.1% in OCN revenue and EBITDA for 2020. This reflects the expectations of an improving economy. We forecast a 3% growth in container volume with a better import/export balance.

The forecasts also reflect our view that there will be some easing on the price pressure front in the towage business. As the market leader, WSON is still making a profit. However, many of the smaller operators are not and we believe it is likely that many will have to pull back to cut their losses. Furthermore Svitzer, which has been a key disruptor seeking to gain market share, has also been losing money and the parent (Maersk) may seek greater price discipline. We are cautious in the uplift in our towage forecasts. We are only forecasting a 3% increase in price in 2020 (after a 0.5% forecast decline in 2019) and a 2% increase in volume (compared to a 7% forecast decline in 2019). We expect the EBITDA for towage to drop from $80.6m in 2018 to $65.6m in 2019 and then to rebound to $73m in 2020.

In the offshore vehicle division, we are forecasting a flattish EBITDA in 2019 ($25.7m vs $25.2m) to improve to $29.3m in 2020. Again, we see some improvement in both price and volume. We expect Brasco's EBITDA to similarly rebound in 2020 (from $4.7m in 2019 to $5.1m).

Elsewhere we note that we are not pencilling in any new ships for the shipyards in the remainder of 2019 or in 2020, which explains the low level of EBITDA (it reflects only dry-dock maintenance work).

Although we expect Brazilian oil and gas business to improve in 2020, we reiterate that due to the long lead time between new licences and projects in the Brazilian oil and gas sector and the actual impact on oil and gas service companies (such as Brasco or WSUT) we think that it will be 2021 before profitability is likely to step up to a significantly higher level.

Exhibit 16: WSON's segmental revenue analysis and estimates

US$m	2016	2017	2018	2019e	2020e
Divisional net revenues					
Container Terminals (TECONs)	148.3	187.4	183.0	178.4	191.1
O&G Terminal (Brasco)	19.4	15.7	20.8	22.6	24.2
Towage	205.8	206.8	165.6	157.9	165.9
Shipyards	26.4	21.2	24.0	6.0	6.0
Shipping Agency	13.9	11.3	10.0	0.0	0.0
Logistics	43.3	54.7	56.9	55.1	58.0
Offshore*	70.9	73.3	58.5	57.1	62.3
Total Revenue	**528.0**	**569.6**	**518.7**	**477.1**	**507.5**
y-o-y (%)	-8.9	7.9	-8.9	-8.1	6.4
Divisional EBITDA					
Container Terminals (TECONs)	60.3	82.4	83.6	87.0	95.5
O&G Terminal (Brasco)	3.3	1.2	5.1	4.7	5.1
Towage	103.8	102.4	79.4	65.6	73.0
Shipyards	4.1	2.1	2.7	1.1	1.1
Shipping Agency	4.5	1.3	1.2		
Logistics	(2.3)	1.7	7.1	10.4	8.7
Corporate	(19.3)	(18.7)	(18.5)	(19.6)	(19.8)
Offshore*	36.8	36.2	25.3	25.7	29.3
Total EBITDA	**191.0**	**208.6**	**185.9**	**175.0**	**192.9**
y-o-y (%)	-8.4	9.2	-10.9	-5.8	10.2
Divisional EBITDA margins					
Container Terminals (TECONs)	40.6%	44.0%	45.6%	48.8%	50.0%
O&G Terminal (Brasco)	17.0%	7.6%	24.4%	20.9%	21.0%
Towage	50.4%	49.5%	47.3%	41.6%	44.0%
Shipyards	14.8%	10.4%	11.3%	18.0%	18.0%
Shipping Agency	32.4%	12.4%			
Logistics	-5.3%	2.9%	12.5%	18.9%	15.0%
Offshore*	51.9%	49.4%	43.1%	45.0%	47.0%
Total EBITDA margin	**36.2%**	**36.6%**	**35.8%**	**36.7%**	**38.0%**

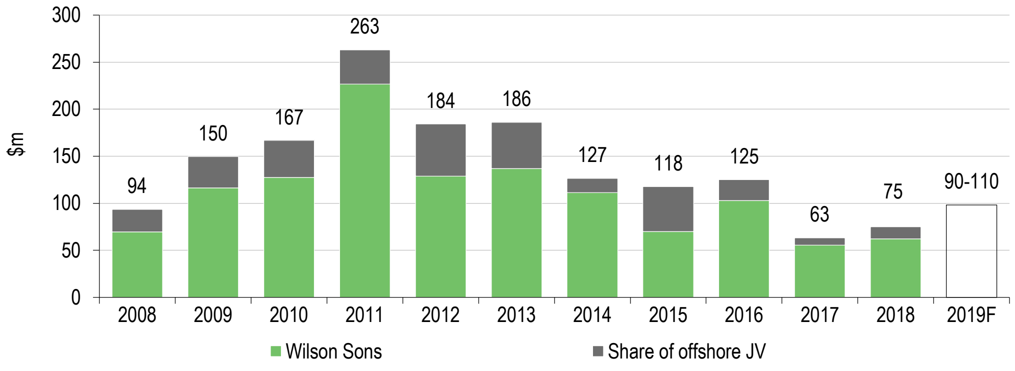
Source: Edison Investment Research, company data. Note: Offshore is OCN's pro forma 50% share of the JV.

Despite the decline in EBITDA in WSON, we forecast OCN's net profit to increase from $13.3m in 2018 to $37.9m in 2019. This is because of the impact of OCN's investment portfolio (OWIL) and the increase in finance costs due to ongoing investments (mainly the expansion of the Salvador terminal). We see earnings dropping to $29.0m in 2020 despite improving operating numbers from WSON. OWIL had a loss in 2018 in weak markets. In 2019, the fund was up 7.5% for the first six months. In our numbers, we are forecasting a 7% return and adjustment to fair value for the full year. For 2020 we are assuming a 4% return on NAV. This means the contribution from the investment portfolio returns declines from a forecast $23.8m in 2019 to $11.1m in 2020.

We also assume a stable exchange rate at around four reais to the US dollar in 2020 and therefore an absence of the negative balance sheet translation items. The stable Brazilian real vs US dollar forecasts are underpinned by the lower inflation differential, improved growth in Brazilian GDP and investor confidence.

We expect Ocean Wilsons to have a net debt of $289.6m at the end of 2019 plus another $164m in leases added under new IFRS 16 rules. Most of the debt is at low, some of it subsidised, interest rates. Adding the offshore JV debt on a 50% pro forma basis (or $115m), EV to 12-months trailing EBITDA is 6.2x. About 95% of the debt (including the JV debt) is dollar denominated with the little that is in Brazilian reais being allocated to the Brazilian real revenue businesses such as the container terminals. Besides the usual maintenance capex, the key investment is the expansion of the Salvador container terminal, expected to be finished by 2021.

Exhibit 17: Capital expenditure history and expectations at WSON



Source: Wilson Sons. Note: Total figures shown include 50% share of JV. Forecast figures from Wilson Sons.

Valuation

The market value of Ocean Wilsons' 58.17% stake in WSON is equivalent to around 100% of its own market capitalisation, highlighting the cautious valuation applied to the company with very little value ascribed to the investment business. A look-though valuation for Ocean Wilsons combining the last-reported OWIL portfolio value with the market value of the WSON stake is shown in Exhibit 18. The current share price stands at a discount of more than 42% to this value. This seems wide even acknowledging that the market may regard this as partly justified, as Ocean Wilsons is a relatively small-cap stock, and that three shareholders, Hansa Investment Company, Victualia and Chris Townsend in total own 50.21% of the company, reducing liquidity. Positively, this ownership position enables both OWIL and WSON to maintain their long-term approach to investment and operating the business.

Exhibit 18: Ocean Wilsons' share price discount to look-through valuation

	p	£m
Last OWIL value per Ocean Wilsons share (H119)	650.6	230.1
Wilson Sons market value per Ocean Wilsons share	876.8	310.1
Ocean Wilsons look-through value	**1,527.5**	**540.2**
Ocean Wilsons share price and market cap	880.0	311.2
Discount	**-42%**	**-42%**

Source: Refinitiv, Ocean Wilsons, Edison Investment Research. Note: US$1.21/£.

Exhibit 19 compares WSON with a selection of Brazilian and international port and shipping companies. The range of earnings and EV/EBITDA multiples is wide, and the businesses are differentiated in terms of activity and geographical exposure, but WSON trades at a significant discount to its peers after underperforming them over the last 12 months. Its EV/EBITDA discount for 2019 is 24% and this widens to 26% in 2020.

Exhibit 19: WSON selected comparators

Company	Mkt cap (US$m)	P/E FY1 (x)	P/E FY2 (x)	EV/EBITDA FY1 (x)	EV/EBITDA FY2 (x)	Price book (x)	ROE (%)
Wilson Sons	**652**	**10.7**	**14.0**	**7.0**	**6.3**	**1.3**	**6.0**
Santos Brasil (BRA)	1,050	116.9	47.6	18.8	14.2	3.1	2.5
China Merchants Ports (HKG)	5,319	8.1	7.5	14.1	12.5	0.5	6.2
Cosco (CHN)	2,629	14.1	12.9	9.5	9.0	1.7	12.4
Shanghai Int'l Port (CHN)	19,471	9.6	9.2	8.5	7.8	1.0	11.0
DP World (UAE)	11,720	15.0	14.1	6.1	5.9	2.6	18.1
Hamburger Hafen (GER)	1,729	23.1	18.8	8.8	8.0	5.4	24.9
Intl Container Term Svcs (PHI)	4,946	12.5	11.7	9.1	8.5	1.9	13.4
Average ex-Santos Brasil		**12.5**	**11.7**	**9.1**	**8.5**	**1.9**	**13.4**
Wilson Sons vs average (%)		-14.4	19.7	-23.5	-25.6	-33.7	-55.5

Source: Refinitiv, Edison Investment Research. Note: Prices as at 5 September 2019.

Finally, for reference, we include a table showing the recent performance of the same group of comparators. This shows sharply differentiated performance between the companies arguably reflecting their varied exposures. We note that WSON's shares have significantly underperformed the average of the companies shown in Exhibit 20 over the last 12 months, including WSON's most comparable Brazilian peer, Santos Brasil. We believe the relative underperformance has been driven by the disappointing growth of the Brazilian economy in 2019 as well as the price pressures in some of WSON's business divisions.

Exhibit 20: Wilson Sons' and comparators' performance, (%)

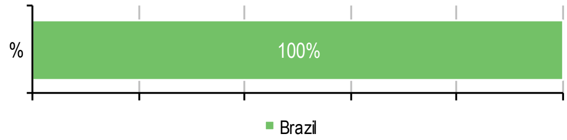
Company	One month	Three months	One year	Ytd	From 12-month high
Wilson Sons	13	6	-9	4	-19
Santos Brasil (BRA)	13	53	137	90	-7
China Merchants Ports (HKG)	-2	-12	-18	-40	-30
Cosco (CHN)	-6	-13	-19	-20	-31
Shanghai Int'l Port (CHN)	-17	-11	12	-10	-35
DP World (UAE)	-3	-17	-31	-44	-33
Hamburger Hafen (GER)	3	2	12	-5	-7
Intl Container Term Svcs (PHI)	2	-6	38	23	-14
Average	**-1**	**0**	**16**	**-1**	**-20**

Source: Refinitiv, Edison Investment Research. Note: Prices as at 5 September 2019.

Exhibit 21: Financial summary

$m	2015	2016	2017	2018	2019e	2020e
Year end December	IFRS	IFRS	IFRS	IFRS	IFRS	IFRS
PROFIT & LOSS						
Revenue	509.3	457.2	496.3	460.2	406.3	441.8
Cash costs	(345.2)	(308.5)	(326.4)	(304.2)	(262.9)	(290.0)
EBITDA	164.1	148.7	170.0	156.0	143.4	151.8
Depreciation and amortisation	(53.2)	(52.6)	(57.5)	(56.2)	(54.2)	(55.9)
Amortisation of right to use (IFRS 16)					(12.9)	(12.1)
Operating Profit (before amort. and except).	110.8	96.1	112.5	99.8	76.4	83.7
Profit/loss on PPE	(1.3)	0.7	(2.9)	(0.3)	(0.2)	(0.2)
Share of results of JVs	4.8	8.1	3.4	(4.1)	(0.4)	(1.0)
Investment revenue	16.9	15.1	19.0	6.3		
Other gains and losses	(1.4)	(4.1)	32.8	(10.1)		
Investment portfolio returns					23.8	11.1
Interest revenue					3.8	3.1
Finance costs	(45.4)	(0.6)	(22.0)	(23.0)	(26.9)	(31.3)
Exchange gains/losses on monetary items	(15.8)	2.3	2.8	(8.5)	(1.8)	0.0
Profit Before Tax (norm)	68.7	117.5	145.5	60.2	74.7	65.5
Income tax	(39.5)	(36.8)	(36.1)	(26.4)	(24.1)	(20.9)
Non-controlling interests	(13.8)	(35.6)	(31.1)	(20.5)	(12.7)	(15.5)
Profit After Tax (norm)	15.5	45.1	78.3	13.3	37.9	29.0
Average Number of Shares Outstanding (m)	35.4	35.4	35.4	35.4	35.4	35.4
EPS - normalised (c)	43.7	127.4	221.5	37.6	107.0	82.1
Dividend per share (c)	63.0	63.0	70.0	70.0	70.0	74.0
EBITDA Margin (%)	32.2	32.5	34.2	33.9	35.3	34.3
Operating Margin (%)	21.8	21.0	22.7	21.7	18.8	19.0
BALANCE SHEET						
Fixed Assets	713.6	827.7	818.7	773.5	983.7	1,017.7
Intangible Assets	53.7	61.1	60.9	53.0	52.7	52.2
Tangible Assets	641.7	744.5	731.2	694.0	904.0	937.6
Investments	18.3	22.2	26.6	26.5	26.9	27.9
Current Assets	486.7	450.2	501.2	438.9	425.8	420.7
Stocks	28.3	15.4	13.8	10.9	9.6	10.4
Debtors	84.0	81.3	98.6	97.0	83.0	89.7
Cash	97.6	77.3	83.8	43.8	55.6	31.8
Trading investments	276.9	276.2	305.1	287.3	277.6	288.7
Current Liabilities	126.6	123.3	123.9	119.0	133.2	137.7
Creditor	84.0	72.3	68.8	58.8	52.0	56.5
Short term borrowings & leasings	42.7	51.0	55.1	60.3	81.2	81.2
Long Term Liabilities	393.2	397.7	372.0	315.7	502.5	551.1
Creditors & leasings	323.8	326.8	300.7	247.2	431.0	481.3
Other long term liabilities	69.4	70.8	71.2	68.5	71.5	69.8
Net Assets	680.5	757.0	824.1	777.7	773.8	749.5
CASH FLOW						
Operating Cash Flow	182.1	141.0	145.9	155.9	151.4	148.7
Net Interest	1.8	(0.5)	2.8	(4.9)	(29.3)	(35.7)
Tax	(22.7)	(34.4)	(29.7)	(30.1)	(23.9)	(20.9)
Capex	(64.8)	(93.0)	(29.3)	(59.0)	(98.0)	(76.0)
Acquisitions/disposals	0.0	(1.9)	0.0	0.0	0.0	0.0
Equity financing	0.0	0.0	0.0	0.0	0.0	0.0
Other (including divs from JV)	(32.9)	(5.3)	(22.1)	(6.8)	10.0	12.0
Dividends	(36.4)	(37.5)	(39.1)	(42.7)	(42.7)	(45.1)
Net Cash Flow	27.2	(31.6)	28.5	12.4	(32.5)	(17.0)
Opening net debt/(cash)	296.1	268.9	300.5	272.1	259.6	456.1
Other	(0.0)	(0.0)	0.0	(0.0)	(164.0)	(0.0)
Closing net debt/(cash)	268.9	300.5	272.1	259.6	456.1	473.1

Source: Company accounts, Edison Investment Research

Contact details	Revenue by geography
Richmond House 5th Floor, 12 Par-la-Ville Road PO Box HM 2250 Hamilton HM JX Bermuda 1 (441) 295 1309 www.oceanwilsons.bm	

Management team

Chairman: José Francisco Gouvêa Vieira	Independent non-executive director: Andrés Rozental
Mr Gouvêa Vieira has been the managing director of Gouvêa Vieira Advogados since 1971. He has been a director of Ocean Wilsons since 1991 and chairman of the board since 1997. He is also chairman of Wilson Sons and a member of the boards of several companies, including Banco PSA Brasil and Concremat Engenharia.	Mr Rozental is a political and economic consultant to Mexican and foreign companies. He was a Mexican diplomat for more than 35 years, holding a number of senior ambassadorial diplomatic posts. He is a director of Wilson Sons, chairman of ArcelorMittal Mexico and a non-executive director of HSBC Mexico.
Deputy chairman: William Salomon	**Finance director: Keith Middleton**
Mr Salomon was chairman of Rea Brothers, then deputy chairman of the investment division of Close Brothers from 1999. He is a director of Wilson Sons, chairman of Hanseatic Asset Management (the OWIL investment manager), senior partner in Hansa Capital Partners, chairman of New India Investment Trust and a director of Hansa Trust.	Mr Middleton worked for a number of international companies before joining Ocean Wilsons Holdings in 1996. He is the executive director of Ocean Wilsons Holdings and is a member of the New Zealand Society of Accountants.

Principal shareholders	(%)
Ingot Capital Management	5.7
Dynamo International	4.9
Cannacord Genuity	4.6
Blackrock	3.4
Overseas Asset Mgmt	1.9
Slater Investments	1.3

Companies named in this report

Santos Brasi (STBP3 BZ), China Merchants Port (144 HK), Cosco (1199 HK), Shanghai International Ports (600018 CH), DP World (DPW DU), Hamburger Hafen (HHFA GR), International Container Services (ICT PM), Maersk (MAERSKB DC), CSN (CSNA3 BZ)

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