RNS Number : 7011E
Obtala Limited
10 May 2017

Obtala Ltd - Conviction Buy price target 30.52p

Undervalued African forestry and agriculture business fully funded to unlock the deep value embedded within its asset base

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

New management streamline strategy and raise funds for expansion

Since the appointment of a new senior management team in April 2016 Obtala has streamlined its strategy to focus on developing its latent forestry and agriculture assets. The sterling equivalent of c.£18.3 million has been raised since December last year to invest in building towards meaningful and sustainable levels of production in both divisions.

Forestry

In Mozambique Obtala has an effective 58% stake in Argento Limited, which owns 312,465 hectares of natural forestry concessions on 50-year licences. Funds from a recent preference share issue position the division to rapidly expand its operations towards full production in the coming years.

Agriculture

In Tanzania Obtala owns 1,735 hectares of farmland on long-term leases. The operations have so far had $10 million of investment spent upon clearing land, developing infrastructure and planting initial crops. Revenues are now being earned, with Obtala planning to significantly increase the amount of planted hectares and focus on high value orchards and exports.

Shares undervalued on a number of metrics

Obtala shares now trade at only a small premium to the value of the stake in Argento alone, priced per the recent fundraise. This implies the agriculture business, net cash & potential for expanding the timber business are being valued at just £1.2 million.

Our DCF model suggests fair value of 30.52p, hence we initiate coverage with a Conviction Buy stance.

To download the full note visit the following link http://www.alignresearch.co.uk/cpt-company/obtala/

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