RNS Number : 7391Y
Woodbois Limited
13 May 2019

13 May 2019

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF THE MARKET ABUSE REGULATION (EU) 596/2014.

Woodbois Limited
("Woodbois", the "Group" or the "Company")
(AIM: WBI)

Final Results FY 2018

- **Revenue $13.4 million versus 2017 revenue of $7.9 million**
- **Gross profit of $2.1 million versus 2017 gross profit of $453 thousand**
- **Pre-tax loss of $5.6 million versus 2017 loss of $7.3 million**
- **Net assets of Group $129.5 million versus $135.2 million in 2017**
- **Total assets $228.1 million versus $222.1 million in 2017**
- **Disposal of agriculture assets in Tanzania**
- **Buy-out of minorities, streamlining of Group structure**
- **Veneer factory opened and fully operational**
- **Additional $10m of trade finance funding committed post-year end**

To read the results in full go to https://woodbois.com/investors

Woodbois Limited

+44 (0)20 7099 1940

Miles Pelham - Chairman
Paul Dolan - CEO

www.woodbois.com

Arden Partners Plc (Nominated adviser and broker)

+44 (0)20 7614 5900

Tom Price
Maria Gomez de Olea

CHAIRMAN'S STATEMENT

I am pleased to present the Annual Report and consolidated financial statements for Woodbois Limited (formerly known as Obtala Limited) (the "Company" and its subsidiaries the "Group") for the year ended 31 December 2018.

Business Performance

The Group continued its transformative path in 2018, registering strong revenue growth in both timber trading and production divisions. Revenues increased by 70% year over year from $7.9m to $13.4m with gross profit for the 2018 year increasing to $2.1m from $0.5m in 2017 and pre-tax loss for the 2018 year of $5.6m, down from a loss of $7.3m in 2017.

The growth plan initiated in 2018 emphasised the requirement to attract trade finance funding to capitalise on the valuable commercial IP, developed over the last three decades, within our trading division. Despite only modest trade finance inflows being secured during 2018, the demonstrable track record generated by the trading team in deploying the Internal Trading Fund (ITF) has led to a total of $10m in additional trade finance funding being committed during the first quarter of 2019. This development signifies a landmark breakthrough for this area of the business.

Strategy

Corporate restructuring

At the half year we announced that a strategic review of the Group's East African operations would be undertaken, following which a decision was made to narrow our focus to timber related businesses only, and to dispose of the Group's agricultural assets in Tanzania for a consideration of US$2,500,000 (the "Tanzanian Disposal").

By the year-end, Woodbois had concluded negotiations with our long-standing partner in Tanzania, Envision, for them to purchase our business interests in Tanzania. The businesses were sold, inclusive of the fixed assets and inventory at a small premium to the net book value of those businesses as at 31st December 2018, generating a profit to the Group of $176,000. The Group's net investment over the past 6 years has been approximately $8m. Further information on the sale can be found in note 10 of the Annual Report.

Woodbois also entered into a share purchase agreement to acquire the 25% of Montara Continental Limited that it did not previously own (the "Montara Continental Consolidation") from Africa Resource Investment Limited ("ARI") for a total consideration of $5m. This buy-out of minorities further simplified the group structure and being at a favourable price to shareholders**,** resulted in a total gain of $14.4m, which is recorded in other comprehensive income.

The transactions above conclude the reorganisation of the group, and in changing our name in March 2019, from Obtala Ltd ("Obtala") to Woodbois Ltd, we signalled the completion of a transition for the original Obtala, from a diversified, African resources play, to a business focused on the production, processing, manufacture and supply of sustainable African hardwood and hardwood products, and on the supply into Africa (and across the globe) of sustainable softwood, hardwood and related products.

Outlook

The name change is appropriate given the evolution of the group and its future ambitions, the strength of the Woodbois brand globally and the elevation to the main board of the three founding partners and business principals within the original Woodbois International; Zahid Abbas, Jacob Hansen and Hadi Ghossein.

The impact of the Basel 3 accord, due to be implemented this year, and the resulting trend of de-risking by international banks continues to cut Africa off from traditional sources of international finance. In trade finance alone the African Development Bank estimates an annual shortfall of US$120bln. Given the growth backdrop of the continent however, significant opportunities exist for those capable of delivering funding solutions while carefully managing credit risk. Achieving this is fundamental to our strategy and I'm delighted that the time and effort invested by management throughout 2018 has encouraged commitments of $10 million in trade finance loans since the start of 2019.

These commitments represent a major milestone for the Group on its pathway to becoming a leading player in African timber trading. This additional capital will enable the trading team to add significant scale to their business during 2019. In line with the rapid growth of urban populations across Sub-Saharan Africa, we will seek to develop our intra-African trading and supply chains, as well as expanding the established Woodbois business of supplying sustainable African hardwood and hardwood products to clients around the globe. The additional funding will allow us to service the needs of our end buyers through the securing of valuable supplier agreements. We are excited to embrace this immediate opportunity for growth and see it as another key milestone towards building a position of leadership within the marketplace.

Perhaps due to the rapid growth of the business, several approaches were received during 2018 regarding potential joint **v**entures and acquisition possibilities. For the time being we are focussed on organic growth and maximising returns from existing assets, but we remain open to all avenues leading to profitable, sustainable, growth.

During the period, I increased my holding of Obtala's ordinary shares from 18,457,754 to 30,000,000, and my holding in Argento Preference shares from 7,072 to 54,358 (72.5% of outstanding), demonstrating my confidence in management's ability to deliver on our long-term vision of achieving a position of leadership in the sector.

Africa is widely forecasted to exhibit the highest rates of population and economic growth on the planet for at least the next two decades. Identifying, hiring, training, empowering and providing financial capital for African talent is therefore likely to yield above average returns on investment. In my experience, attracting capital is the most difficult of these objectives, so having started to crack this very hard nut, we find ourselves incrementally well positioned to significantly increase shareholder value.

I wish to thank all of you, our shareholders, for your continued support.

Miles Pelham
Chairman

7 May 2019

CHIEF EXECUTIVE OFFICER'S REVIEW

The high-level objective for 2018 was to maintain the rapid growth of the business by increasing production from existing facilities, commissioning a new veneer factory and improving margins. Further objectives included increasing sales,

sourcing trade finance funding, reducing administration costs and generating improved performance at an operating level.

2018 financial performance overview

Year-on-year revenue grew by 70% in 2018, driven by 93% growth in Forestry division revenues from our own production assets, and 57% growth in trading revenues. 2018 gross profit margin improved dramatically to 15.8%, from 5.7% in 2017.

As expected, and in line with the Group's growth, current assets and current liabilities also increased.

- Trade and other receivables increased year-on-year by 72%, with much of the growth attributable to revenue expansion. However, one-off items such as the current portion of the consideration due for the sale of the Tanzanian businesses, also had an impact
- Inventory increased by 23% year-on-year. This was largely attributable to the increase in timber production in Gabon
- Payables increased by 43% year over year, slightly below the growth in cost of goods sold.

Working capital requirements increased by $2.0m year-over-year, also in line with management's expectations given the growth rate of the overall business. Working capital requirements will continue to grow as the business expands, hence the emphasis on attracting trade finance funding.

Forestry & related capex

The forestry division contributed significantly to overall margin expansion, recording a 21% gross profit for the year versus 12% in 2017. The sawmill in Gabon achieved an average recovery rate of lumber from logs of 34%. New machinery to be purchased in 2019 should improve this recovery rate, and alongside the installation of new kilns is expected to drive further margin expansion. The new sawmilling equipment will also improve the finished quality of our sawn lumber which will in turn open new export markets for our own production, enhancing our status with clients as we move towards our objective of becoming industry leaders.

Thorough research and rigorous cost benefit analysis was conducted during 2018 prior to making capex commitments. As a result of this analysis, we are confident that the additional equipment scheduled for installation during 2019 will lead to further margin improvement.

Capex during 2018 was committed to strengthening core infrastructure to underpin increased, consistent future profit margins via:

- increased harvesting capacity - 2 new Komatsu bulldozers, 3 new MAN trucks
- terminating outsourcing of kiln drying for sawn timber in Gabon - New kilns are being installed in 2019 from Chinese company Techdry with 2000m^3 monthly capacity for drying Okoume
- repair and upgrade to kilns at rented facility in Abidjan, Ivory Coast with monthly capacity of 1400m^3, species dependent.
- reconditioning of container crane at the same facility to allow quicker and more efficient movement of containers, a key development as trading volumes grow
- full commissioning of veneer factory including additional machinery to reduce some manually intensive production and post-production processes.

Veneer factory

The highest production-related priority for 2018 was to fully commission the veneer factory in Gabon. The emptying of 10 containers full of second-hand industrial equipment and its assembly and integration with new custom-built boilers and generators into a functioning factory was a remarkable feat to witness. Hats off to the Moroccan engineering team for delivering a state of the art, Cremona equipped factory within the forecast budget.
As the factory became fully functional towards the end of 2018, Mr Driss Farissi joined to take overall charge of the facility with the objective of scaling up production of high-quality product. Mr Farissi is a Moroccan national with more than 25 years of experience in veneer production and factory management and is familiar with Gabon having spent 9 years there previously.

As with the equipment upgrades planned for the sawmill, output from our impressive veneer facility will enhance our product mix and reputation with clients around the world as we move up the value chain.

Upgrade of logistics team

Monetising the forestry division's scaled up levels of production is dependent on close communication with the logistics team, and the performance of this critical hub. Anne Laure Boichot, a French national who joined us in April 2018, has proved an invaluable addition to the leadership team in Libreville and merits a special mention in this report. Anne Laure's team dovetailed and kept pace as production increased during 2018, shipping a total of 299 containers from Libreville, creating a step change for the business and for our cashflow.

Trading

The trading division delivered a gross profit margin of 12%, consistent with management observations throughout the year. The division had to exercise patience during 2018 with financial capacity to trade being tightly restricted since investment was focused on the production units, where higher levels of operating expenditure were required as production increased. The $10m of funding committed after the year end in early 2019 will be drawn down as the trading team activates relationships with suppliers with whom they have multi-year track-records as well as with new suppliers. Our trading team, while ramping up activity, will remain mindful of the global economic outlook, including any signs of continued slowdown in China, a large player in the tropical timber market. Having sold into more than 40 different countries in the last two years, we have the luxury of a diversified customer mix, with no dependence on any single geography. China remains an opportunity for the group since it was the destination for only 4% of our total sales during 2018.

Cost management and internal controls

Internal control and financial monitoring capabilities have continued to evolve and improve throughout 2018 under the guidance of CFO Carnel Geddes.

We migrated to new web-based accounting software allowing for round the clock access by group management and minimising risk of loss of data. Some subsidiary accounting functions were also centralised. A system of monitoring controls for the ITF was designed and implemented and is checked daily at board level. New weekly reports for group sales and profit margins were also initiated, as well as stock levels in Gabon and Ivory Coast which are reviewed at executive board level together with Group cash flow. In 2019 this has been further extended to also track harvesting and shipping data against budgets.

During 2018, turnover increased by 70% while combined operating and administration costs increased by only 26%.

Operationally, the Libreville office houses our management and logistics teams handling the day-to-day aspects of the production business as well as timber exports from Gabon. The offices in Ivory Coast and Denmark are trading and back-office hubs. All three are scalable platforms and can support a significant increase in levels of business.

At the half-year, I had noted that administration and operational costs appeared high in the context of current levels of profitability and targeted a 10% cost reduction for administration expenses during the second half of 2018. The administration cost reduction target was exceeded with administrative expenses falling from a total of $3.9m in 2017 to $2.11m in 2018**.**

Operating costs increased by $3.4m over the same period as the Woodbois business was only consolidated for six months of 2017 following its acquisition in the latter half of 2017. The disposal of the Tanzanian business will remove $1.5m in operating costs in the current year. Mozambique was responsible for 20% of the total operating cost base of the Company but provided less than 2% of revenues. Reflecting the prevailing business climate, the cost reduction measures carried out in the second-half of 2018 will ensure that the operational cost base for Mozambique in 2019 falls much more closely into line with its contribution.

Mozambique

Due to issues documented in quarterly updates throughout the year, largely related to export restrictions, we elected to perform a very limited harvest in Mozambique during 2018, which was sold mainly into the domestic market.

Given the high value of Mozambican hardwood species, research is underway into broadening the 'finished product' mix from air dried sawn timber, including the cost and availability of the additional machinery and skills required.

We have first class facilities, equipment and people in Mozambique and look forward to increasing activity in the future when, but not before, the clarity required for us to re-allocate meaningful levels of operating capital, has been provided by the relevant government ministries.

I must make a special mention of Adriano Rafael, a Mozambican national, who with the support of the local leadership team, and in particular the vastly experienced Ivan Muir, has stepped seamlessly into the important role of company administrator in Mozambique. Adriano's elevation to this role from data administrator at our bush mill in 2016, speaks volumes of his drive and application, and demonstrates the ability for smart dedicated people to thrive within the Woodbois working environment.

Social impact and sustainability

In pursuit of our social impact objectives, in 2018 we have continued to engage with high-level representatives from international organisations, such as the African Development Bank, the World Bank, local governments, heads of local communities, certification bodies and academic institutions. We also solicited the views of and initiated discussions with local and international platforms, the New Partnership for Africa's Development (NEPAD) and the World Economic Forum as well as multiple African banks and investment specialists.

We continue to align our sustainability strategy with the United Nations Sustainable Development Goals (SDGs) which sets out a vision for ending poverty, hunger, inequality and protecting the Earth's natural resources. Through our operations we aim to contribute to Africa's economic transformation with positive impact, social development and strong environmental management.

Sustainably commercial considerations and alignment with these goals will continue to shape decision making internally, in alignment with our mission statement, which equally sets out our growth ambitions while acknowledging the responsibility we carry for the communities in which we operate. With the ambition to become a market leader, the Company has continued to recruit high quality personnel and to train its staff to the highest standards.

A full sustainability report for 2018, detailing the various initiatives carried out by the Company is currently in production and is scheduled to be released shortly.

Sector Leadership

Last year's annual report reflected upon the fact that the integration period in the latter half of 2017 for two businesses (Obtala and Woodbois) with operations and management teams in 9 different countries had been relatively smooth. Combining businesses with different histories, cultures and working practices is a process rather than an event, and it was of course necessary to continue to manage this process closely throughout 2018. The common bond of partnership which is reinforced by the shareholdings of board members, has continued to strengthen, most noticeably as team objectives have been achieved. As the teams in different geographies have deepened their respective relationships, committed leadership is fostering a competitive spirit and a collaborative culture. The diverse combination of skillsets within our leadership team is a genuine differentiator for us in this industry, and supports our ambition to become the leading producer and global supplier of sustainable African hardwood and hardwood products to the rest of the world.

It only remains for me to thank the board and all of our staff for demonstrating their care for each other and for the Company as well as their incredible commitment in 2018; it is a privilege to lead this team.

For and on behalf of the Board.

Paul Dolan

Chief Executive Officer

7 May 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND TOTAL COMPREHENSIVE INCOME

	Notes	2018	2017
Continuing operations		$000	$000
Turnover	2	13,448	7,892
Cost of sales	2	(11,334)	(7,439)
Gross profit		2,114	453
Other income	5	160	131
Gain / (loss) on fair value of Biological assets	13	1,611	(35,327)
Operating costs		(5,356)	(2,103)
Administrative expenses		(2,106)	(3,918)
Depreciation		(474)	(515)
Share based payment expense	25	(658)	(809)
Operating loss	3	(4,709)	(42,088)
Contingent acquisition expense	24	(860)	(574)
Gain on bargain purchase	24	-	37,525
Gain on disposal of Tanzanian business	10	176	-
Preference share liability expense	20	-	(1,604)
Foreign exchange gain		263	261
Finance income	6	-	20
Finance costs	7	(444)	(810)
(Loss) / Profit before taxation		(5,574)	(7,270)
Taxation	8	(951)	12,173
(Loss) / Profit for the year from continuing operations		(6,525)	4,903
Discontinued operations			
Loss from discontinued operations, net of tax:			
- Owners of the parent	10	(1,446)	(2,803)
- Non-controlling interests			
(Loss) / Profit for the year		(7,971)	2,100
(Loss) / Profit attributable to:			
- Owners of the parent	9	(6,736)	9,861
- Non-controlling interests	26	(1,235)	(7,761)
		(7,971)	2,100
Other comprehensive income:			
Gain on buy-out of minorities	26	14,373	-
Currency translation differences, net of tax		(798)	(2,299)
Total comprehensive income for the year		5,604	(199)
Total comprehensive income attributable to:			
Owners of the parent		6,839	7,562
Non-controlling interests	26	(1,235)	(7,761)
Total comprehensive loss for the year		5,604	(199)
Total comprehensive (loss) / income attributable to equity shareholders arises from:			
- Continuing operations		8,285	9,640
- Discontinued operations	10	(1,446)	(2,803)
		6,839	7,562
Earnings per share from continuing and discontinued operations attributable to the owners of the parent during the year (cents per share)			
Basic earnings per share			
From continuing operations (cents)	10	(1.44)	1.72

From discontinued operations (cents)		(0.32)	(0.98)
From (loss) / profit for the year		(1.76)	0.74
Diluted earnings per share			
From continuing operations (cents)	10	(1.11)	1.17
From discontinued operations (cents)		(0.25)	(0.67)
From (loss) / profit for the year		(1.36)	0.50

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to the owners of the parent									
	Share capital $000	Share premium $000	Merger reserve (note 22) $000	Preference share capital $000	Foreign exchange reserve * $000	Share based payment reserve (note 25) $000	Retained earnings $000	Total $000	Non-controlling interests $000	Total equity $000
AT 1 JANUARY 2017	4,240	17,968	44,487	-	(1,619)	1,398	20,582	87,056	28,369	115,425
Profit / (Loss) for the year	-	-	-	-		-	9,861	9,861	(7,761)	2,100
Other comprehensive income:										
Currency translation differences	-	-	-	-	(2,299)	-	-	(2,299)	-	(2,299)
Total comprehensive income for the year	-	-	-	-	(2,299)	-	9,861	7,562	(7,761)	(199)
Transactions with owners:										
Issue of preference shares	-	-	-	14,318	-	-	-	14,318	-	14,318
Issue of ordinary shares	260	4,372	-	-	-	-	-	4,632	-	4,632
Share based payment expense	-	-	-	-	-	979	-	979	-	979
Reserve transfer	-	-	-	-	-	(1,398)	1,398	-	-	-
AT 31 DECEMBER 2017	4,500	22,340	44,487	14,318	(3,918)	979	31,841	114,547	20,608	135,155
Profit / (Loss) for the year	-	-	-	-	-	-	(6,736)	(6,736)	(1,235)	(7,971)
Other comprehensive income:										
Gain on minority buy-out (note 24)							14,373	14,373	(19,373)	(5,000)
Currency translation differences	-	-	-	-	(798)	-	-	(798)	-	(798)
Total comprehensive income for the year	-	-	-	-	(798)	-	7,637	6,839	(20,608)	(13,769)
Transactions with owners:										
Issue of ordinary shares	1,117	7,614	-	-	-	-	-	8,731	-	8,731
	-	-		-	-				-	

Share options forfeited			-			(679)	679	-		-
	-	-		-	-		-		-	
Share based payment expense			-			712		712		712
	-	-		-	-	-				
Preference share dividend			-				(1,313)	(1,313)		(1,313)
AT 31 DECEMBER 2018	5,617	29,954	44,487	14,318	(4,716)	1,012	38,844	129,516	-	129,516

* Exchange differences arising on translation of the foreign controlled entities are recognised in other comprehensive income and accumulated in a separate reserve within equity.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2018 $000	2017 $000
ASSETS			
NON-CURRENT ASSETS			
Assets under construction	12	-	883
Consideration receivable	10	1,841	-
Biological assets	13	194,708	192,501
Property, plant and equipment	11	17,081	17,741
TOTAL NON-CURRENT ASSETS		213,630	211,125
CURRENT ASSETS			
Trade and other receivables	10/14	5,924	3,441
Inventory	15	6,738	5,484
Cash and cash equivalents	16	1,910	2,089
TOTAL CURRENT ASSETS		14,572	11,014
TOTAL ASSETS		228,202	222,139
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	17	(5,751)	(4,017)
Borrowings	18	(5,024)	(6,472)

Consideration payable	25	(5,000)	-
Contingent acquisition liability	25	(1,269)	(574)
TOTAL CURRENT LIABILITIES		(17,044)	(11,063)
NON-CURRENT LIABILITIES			
Borrowings	18	(5,086)	(742)
Deferred tax	8	(62,655)	(61,728)
Preference share liability	19	(13,901)	(12,588)
Other related party payables	27	-	(863)
TOTAL NON-CURRENT LIABILITIES		(81,642)	(75,921)
TOTAL LIABILITIES		(98,686)	(86,984)
NET ASSETS		129,516	135,155
EQUITY			
Share capital	20	5,617	4,500
Share premium	21	29,954	22,340
Merger reserve	22	44,487	44,487
Preference share capital	19	14,318	14,318
Foreign exchange reserve		(4,716)	(3,918)
Share based payment reserve	25	1,012	979
Retained earnings		38,844	31,841
EQUITY ATTRIBUTABLE TO THE OWNERS OF THE PARENT		129,516	114,547
Non-controlling interests	26	-	20,608
TOTAL EQUITY		129,516	135,155

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2018 $000	2017 $000
CASH GENERATED FROM OPERATIONS			
(Loss) before taxation - continuing operations		(5,574)	(7,270)
Loss before taxation - discontinued operations	10	(1,446)	(2,803)
(loss) before taxation		(7,020)	(10,073)
Adjustment for:			
Depreciation of property, plant and equipment	11	1,625	926
Fair value adjustment of biological asset	13	(1,611)	35,327
Inventory losses	3	295	977
Foreign exchange		(263)	(2,553)
Contingent acquisition expense	25	695	574
Non-cash consideration on acquisition of subsidiary	25	-	(3,683)
Preference share liability		-	1,604
Share based payments		658	419
Finance income		-	(20)
Finance costs	7	444	810
Gain on disposal of Tanzanian assets	10	(176)	-
Gain on bargain purchase	24	-	(37,525)
(Increase) / decrease in trade and other receivables		(1,852)	521
Increase / (decrease) in trade and other payables		1,708	(9,857)
Increase in inventory		(1,764)	(2,884)
CASH FLOWS FROM OPERATIONS		(7,261)	(25,437)
Finance costs paid		(257)	(154)
Finance income received		-	20
Income taxes paid	8	(52)	-
CASH FLOWS FROM OPERATING ACTIVITIES		(7,570)	(25,571)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net cash outflow from acquisition of subsidiary	24	-	(3,000)
Expenditure on assets under construction	12	(420)	(883)

Expenditure on property, plant and equipment	11	(2,825)	(4,040)
CASH FLOWS FROM INVESTING ACTIVITIES		(3,245)	(7,923)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from receipts loans and borrowings		(1,771)	5,129
Proceeds from ITF		3,676	698
Proceeds from the issue of ordinary shares		8,731	1,056
Proceeds from the issue of preference shares		-	25,302
CASH FLOWS FROM FINANCING ACTIVITIES		10,636	32,185
NET (DECREASE) / IN CASH AND CASH EQUIVALENTS		(179)	(1,309)
Cash and cash equivalents at beginning of year		2,089	3,398
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,910	2,089

Reconciliation of liabilities arising from financing actives

	2017	Cash flow	Non-cash changes	2018
	$000	$000	$000	$000
Borrowings	8,077	2,033	-	10,110
Ordinary shares	26,840	8,731	-	35,571
Preference shares	14,318	-	-	14,318
	49,235	10,764	-	59,999

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

END

FR LLFFDERIILIA