

Ocean Wilsons (OCN.LN) - Deep Value “Sum of the parts” Special Situation with a catalyst

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1. Elevator pitch:

Ocean-Wilsons, a UK listed, Bermuda domicile HoldCo which owns a 56% stake in a listed Brazilian Port/Maritime company called Wilson Sons and an investment portfolio, is trading at a deep discount (-48%) to its SOTP value. Now however it seems very likely that the Brazilian Asset will be sold by year end 2024, which could potentially trigger a re-rating of the stock on top of any premium paid in the sale.

2. Introduction:

Longer term readers of my blog know that in addition to investing into boring GARP stocks, I also invest into Special Situations from time to time. A special situation is a more short term oriented investment with a clear trigger or catalyst. In earlier times, I did more of them, these days I have less time and only look into them if they jump at me but usually with a relatively small allocation. There are different types of Special Situations. This one is of the “Undervalued company sells major operating asset” type of Situation, of which I have done a few in the past. The last one was [Exmar two years ago with a decent outcome](#).

3. Ocean Wilson: Potential sale of major operating asset

OCEAN WILSONS HOLDINGS LIMITED

Ocean Wilsons is a UK listed, Bermuda domiciled holding company with a market cap of around 470 mn GBP. It is quite an unusual company. It reports in USD, owns a 57% stake in a listed Brazilian Port/Maritime company and runs a “fund of fund” hedge fund portfolio.

I came across the company during the analysis of both Logistec and Eurokai, but did not invest up to now.

The Balance Sheet is hard to read as it combines an investment portfolio and the consolidated Brazilian Port operations.

On the plus side, as the subsidiary is listed, it is quite easy to see that the value of that participation called (Wilson Sons S.A.) is **higher than the market cap of the parent company**.

A quick and dirty SOTP analysis gives us the following Discount/potential upside:

Ocean Wilson			
Market cap Wilson Sons	7.514,0 mn BRL	Share Price	17,07
	1.029,3 mn GBP		
57% Share	586,7 mn GBP		
Investment Portfolio 30.06.	319,6 mn GBP		
Total value	906,3		
Market cap Ocean Wilson	472,0 mn GBP		
Market cap in % of NAV	52,1%		
Potential upside (no discount)	92,0%		

Prior to the announcement (early June 2023), Ocean Wilsons also traded at a 50% discount, so the discount to NAV hasn't narrowed that much.

Funnily enough, when Alluvial Capital wrote about Ocean Wilson in 2013, the discount back then was only 20% (those were the days....):

Sum of the Parts

Ocean Wilsons has practically no assets at the holding company level besides its investment portfolio and its majority stake in Wilson, Sons. That makes putting a value on Ocean Wilson shares a simple exercise.

Value of Wilson, Sons	\$555.0
Value of Investment Portfolio	\$243.6
Ocean Wilsons Value	\$798.6
Shares Outstanding	35.363
Value Per Share	\$22.58

The value Ocean Wilsons' assets sums to \$798.6 million, or \$22.58 per share. However, shares in the company can be had for a good deal less. Last trade in London was at £10.88/\$17.62, a discount of 22.0%.

4. Ocean Wilsons Holdings - Management and shareholder structure

According to the home page, the largest shareholders looks as follows:

MAJOR SHAREHOLDERS AND DIRECTOR SHAREHOLDINGS

MAJOR SHAREHOLDERS AT 31 DECEMBER 2023

Shareholder Name	Amount	% Holding
Hansa Investment Company Limited	9,352,770	26.45
Victualia Limited Partnership	4,435,064	12.54
C Townsend	4,040,000	11.42
City of London Investment Management Company	2,470,372	6.99

DIRECTOR SHAREHOLDINGS AT 31 DECEMBER 2023

Director Name	Amount	% Holding
W Salomon*	4,659,349	13.18
C Townsend	4,040,000	11.42
C Foulger	25,000	0.03
A Berzins	20,000	0.06
F Beck	15,000	0.01

*Mr W Salomon is interested in a total of 4,659,349 shares. Of this 4,435,064 are held through Victualia Limited Partnership.

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Now the interesting part is that the largest investor, Hansa Investment company is also listed and also lists Mr. William Salomon as a Director and its largest shareholder.

Director shareholdings

Our Board of Directors have the following holdings in Hansa Investment Company Ltd

Director Name	Ord (voting)	Ord % holding	A-Ord (non-voting)	A-Ord % holding
W Salomon	11,169,345	27.92%	3,587,123	4.48%
J Davie	45,000	0.11%	230,000	0.29%
S Heidempergher	6,400	0.02%	0	0.00%
Total	11,220,745	28.05%	3,817,123	4.77%

According to the Bio on Hansa Investments page, one could call him an “accomplished banker”:



William Salomon

Chairman, Senior Partner

William is the Senior Partner of Hansa Capital Partners, Deputy Chairman of Ocean Wilsons Holdings Limited and its listed subsidiary Wilson Sons Limited and a Director of Hansa Investment Company Limited. William has extensive knowledge of all aspects of private client and strategic fund investment business.

William was responsible for developing Finsbury Asset Management and the Finsbury range of funds based on the concept of early recognition of key investment trends, such as life sciences and technology, and appointing specialist managers until taken over in 1995 by Rea Brothers Group, the family's bank of which he eventually became Chairman. In 1999 Rea Brothers Group was taken over by Close Brothers Group when William was appointed Deputy Chairman of the investment division. William has served on the board of a number of investment and trading companies.

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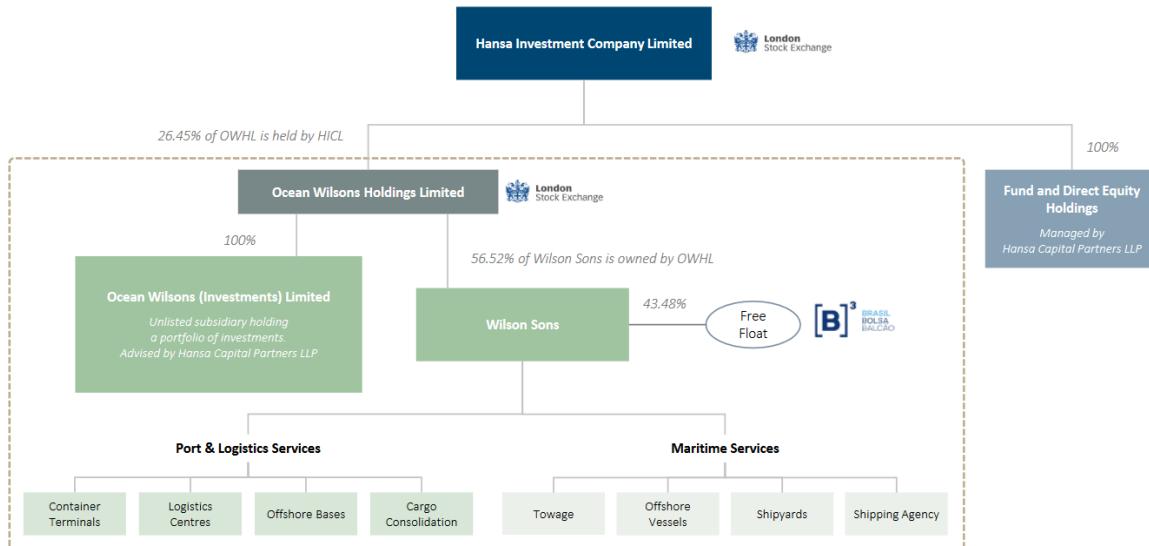
Christopher Townsend is a director there, too. Ocean Wilson is the largest position in that Holdco. Hansa Investments has a nice recent shareholder presentation from September [with some interesting information on Wilson & Sons](#).

Wilson & Sons is around 30% of the portfolio value of Hansa Investment, the rest is invested in a diversified fund portfolio, similar to Ocean Wilson. Hansa Investment is also the advisor of the Ocean Wilson Portfolio.

Overall it seems to me that Ocean Wilsons is controlled by someone who wants to make money with his investments (which is not always the case in such situations). It also seems that Ocean Wilson is the majority of his net worth, the same seems to be true for Mr. Townsend.

Finally, they have a nice chart showing the relationship between Hansa and Ocean Wilson, however without the stakes of Mr. Salomon and Mr. Townsend:

Corporate structure



I have to say I find Hansa Investments interesting, too, but for now I want to concentrate on Ocean Wilson.

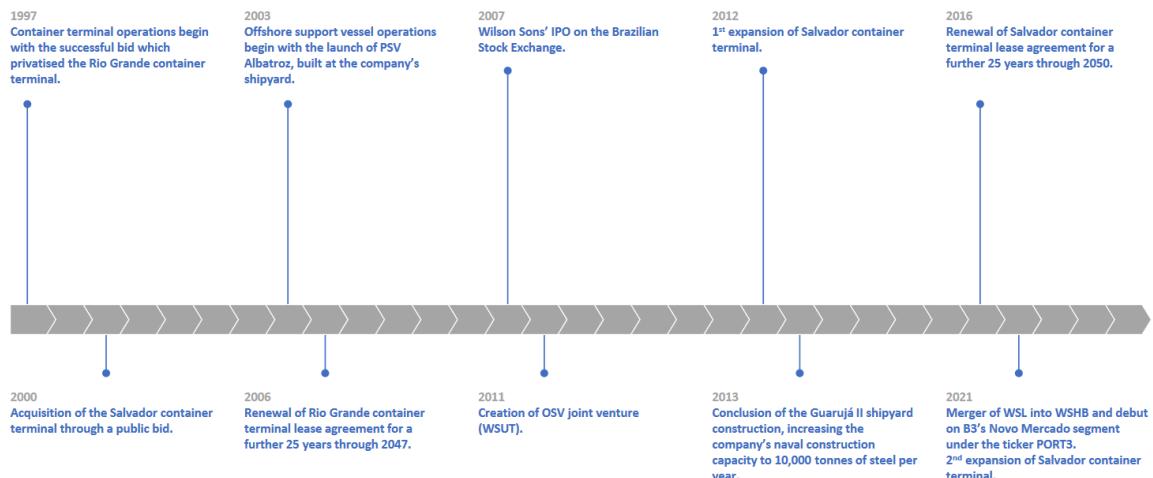
5. A short look into Wilson & Sons

Wilson & Sons has a very nice Investor presentation which can be found [here](#). Interestingly, the history of the company is shown best in the Hansa Investment presentation that I linked to before:

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Wilson Sons' Business Timeline



The company runs in principal the following business lines:

- Container Terminals
- Towing services
- Offshore support vessels

Revenue wise, Towing seems to be the largest sector by sales, followed by the Terminals and the Offshore vessel service.

Financial Performance: Key Businesses



Strong volume growth in container terminals. Increased operations and improved mix in towage. Higher demand and better rates for offshore vessels.



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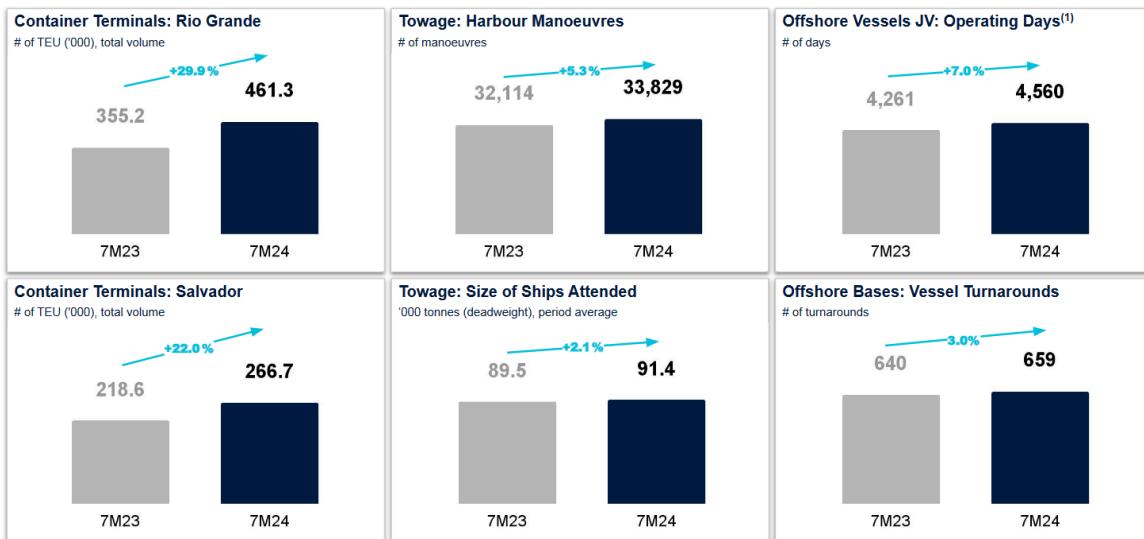
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The Terminals are currently clearly the main driver of Growth as this Chart shows:

Operational Performance (7M24)



Strong container volumes with outstanding performance across terminals. Remarkable increase in harbour manoeuvres and servicing larger vessels. Enhanced offshore energy services fueled by new contracts.



Profitability is clearly highest in the Terminal business, but also the Towing business looks like a very decent one. All the rest is basically a “net zero”.

	Six-Month Period 30/06/2024									
	Towage and shipping agency services	Container terminals	Offshore support bases	Offshore support vessels	Non segmented activities		Elimination	Consolidated		
					Logistics	Shipyard				
Revenues	663,809	506,155	51,341	-	84,558	118,969	-	(90,007)	1,334,825	
Costs and expenses	(387,608)	(234,698)	(41,156)	-	(72,930)	(111,579)	(10,933)	87,125	(771,779)	
Depreciation and amortisation ⁽¹⁾	(107,174)	(62,876)	(7,837)	-	(6,310)	(8,961)	(818)	5,624	(188,352)	
Equity result	-	-	-	(302)	(87)	-	672	-	283	
Income before financial result (EBIT)	169,027	208,581	2,348	(302)	5,231	(1,571)	(11,079)	2,742	374,977	

So operationally, the company seems to do quite well.

6. Why could it be interesting ? Who cares about SOTP discounts anyway ?

A Discount to SOTP these days is not a great investment case. What you need is a catalyst. Ocean Wilson has been known among UK “value investors” for some time for the significant discount, but not much happened. So what’s different this time ?

Interestingly, I think we do have a catalyst and a rather tangible short term one.

Initially, Ocean Wilsons disclosed in June 2023 that they were doing a “strategic review” of the Brazilian asset, as rumors of a sale seemed to have surfaced locally in Brazil.

This is how communication evolved since then:

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THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

Ocean Wilsons Holdings Limited

(the "Group" or the "Company")

Response to media speculation

The Board notes recent Brazilian media speculation to the effect that the Company is negotiating the sale of its 57% owned subsidiary, Wilson Sons S.A. ("Wilson Sons").

The Company confirms that it is undertaking a strategic review involving the Company's investment in Wilson Sons. That review, which will consider all potential strategic options, is currently at an early stage and there can be no certainty as to its outcome.

The Company has not received any formal proposals from any third party with regard to a potential transaction involving Wilson Sons.

A subsequent announcement will be made as required.

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Charles Batten

Ed Allsopp

Ben Harrington

The person responsible for arranging the release of this announcement on behalf of Ocean Wilsons is Leslie Rans.

This is how the wording evolved since then:

6M 2023 interim report: very vague

The Board continues to recognise that there are divergent views among our shareholders regarding our non-correlated asset holdings. We announced on 12 June 2023 that the Board has instigated a strategic review of the Company's investment in Wilson Sons. This review is intended to provide a platform for us to optimise our asset mix, enhance returns, and drive growth in the longer term. We will communicate the findings of this review once completed and we appreciate your patience during this period.

Q3 2023 update: still vague.

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Update on strategic review

This update has been made to enable Wilson Sons to comply with Brazilian Corporate Law No. 6,404/1976 as amended and the provisions of Resolution No 44/201 of the Brazilian Securities and Exchange Commission ("CVM").

Further to the announcement of 12 June 2023 regarding the Company's strategic review of its investment in Wilson Sons, the Company has retained Banco BTG Pactual S.A. as adviser to Ocean Wilsons Overseas Limited ("OWOL"), the holding company for the Group's indirect investment in OW Overseas (Investments) Limited ("OWOIL") and in Wilson Sons. Ocean Wilsons also confirms that BTG Pactual has received a number of indicative non-binding offers for its indirect investment in OWOIL and in Wilson Sons.

As the strategic review process remains ongoing, there can be no certainty as to its outcome and the indicative non-binding offers received by the Company are highly conditional. The Board continues to evaluate all potential strategic options and will update shareholders further in due course.

Annual report 2023, first mentioning of 2024 as year of completion:

The Board

Your Board membership was unchanged in 2023 after the changes made over the three previous years. We have been fortunate to retain the services of Mr Andrey Berzins, particularly as we go through our **strategic review** of Wilson Sons. His expertise and longevity bring great value to the Board deliberations and balances the relatively new tenure of the other independent Directors. As our strategic review completes in 2024, we will review the Board composition in that context.

6M 2024, year end 2024 confirmed:

Strategic Review

Our strategic review of our investment in Wilson Sons continues, albeit not as swiftly as we had initially anticipated. However, we remain on track to announce the outcome of this review before the end of 2024. Both external factors and the excellent performance of Wilson Sons are playing into these considerations. The Board compliments the Wilson Sons management team for its steadfast commitment and focus on delivering its strategy without distraction during this review period. This measured strategic review remains focused on ensuring that we continue to align both of our sectors with our long-term objectives and deliver value to our shareholders.

Wilson Sons has generated significant cash during the period and has distributed dividends in excess of those in previous periods and to an earlier timeframe. Currently our own dividend policy remains unchanged and will be reviewed in conjunction with the completion of the strategic review.

In summary, the first half of 2024 has been a period of strong operational performance for Ocean Wilsons Holdings Limited, primarily driven by the resilience and strategic advancements of Wilson Sons, supported by an investment return benchmarked to the market with a lower risk profile. We remain committed to our growth strategy and investment strategy and are optimistic about the future.

August 2024:

Very concrete negotiations with I Squared

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

Ocean Wilsons Holdings Limited

("Ocean Wilsons" or the "Company")

Response to media speculation

The Company notes recent Brazilian media speculation regarding the potential sale of its 57% owned subsidiary, Wilson Sons S.A. ("Wilson Sons").

The Company confirms that it is in discussions with I Squared Capital Advisers (US) LLC ("I Squared") to explore the terms of a potential transaction for the acquisition by I Squared and/or its affiliates of the Company's interest in Wilson Sons.

There can be no certainty that a transaction will be entered into, nor as to the terms of any such transaction.

A subsequent announcement will be made as required.

For further information, please contact:

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broker**
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The person responsible for arranging the release of this announcement on behalf of Ocean Wilsons is Leslie Rans, Chief Operating and Financial Officer.

To me, these statements show a steady progression and imply a relatively high likelihood of a deal happening within 2024.

I would assume that they invest via their Infrastructure Fund III for which they raised commitments in an amount of 15 bn USD.

[Just a few days ago, Wilson and Sons released equally interesting news](#) that they hired an advisor to sell an Off Shore vessel Support joint Venture.

My interpretation is the following:

- Discussion with I Squared on port assets continue, I Squared is not interested in the Off shore business or doesn't attribute any or sufficient value to it
- Therefore a separate sales process for the offshore business has been started, either to sell these assets separately or push ISquared for a better price.

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The question is if the I squared deal will be an asset deal or if they bid for the full company, for the ultimate value of the stock I do not differentiate between these two. Even in the case of an asset deal I assume that the stock will go up +20% in order to keep it simple.

Looking at both, the share price of Ocean Wilsons and Wilson Sons, both shares do reflect this information to a certain extent. However, this coincides with a pretty strong fundamental development especially for the Container Terminals.

Share price Ocean Wilsons:



Wilson Sons:

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HOME > PORTS · BVMF

Wilson Sons SA

+ Follow

Share

R\$17.07

↑56.18% +6.14 5Y

Sep 25, 10:29:54 PM UTC-3 · BRL · BVMF · Disclaimer

1D 5D 1M 6M YTD 1Y 5Y MAX



Compare to

Stock BR listed security

PREVIOUS CLOSE R\$17.27

DAY RANGE R\$16.98 - R\$17.42

YEAR RANGE R\$12.40 - R\$17.78

MARKET CAP 7.52B BRL

AVG VOLUME 1.02M

P/E RATIO 21.35

DIVIDEND YIELD 5.19%

PRIMARY EXCHANGE BVMF

7. Recent transaction: Santos Brazil acquired by CMA

Just a few days ago, Shipping giant CMA announced to take over a 48% stake in the public listed [Santos Brasil](#).

Santos Brazil according to its presentation has a higher focus on Terminals and ports than Wilson & Sons, however the share transferred was “only” 48% and so technically not a majority position.

Here is a quick overview how both companies are valued:

NTM	Wilson Sons	Santos Brasil	Santos vs. Wilsons
EV/Sales	3,72	4,83	1,30
P/B	2,95	5,6	1,90
EV/EBITDA	8,7	13,1	1,51
EV/EBIT	13,4	13,8	1,03
P/E	18,5	18,9	1,02

Without digging too deep we can see that depending on the KPI, Santos is valued between 1,0 to 1,9 x to Wilson Sons. Part of the premium might be justified but in my opinion it supports a potential takeover premium of 20% for Wilsons for a majority stake.

8. Calculation of the potential return:

In order to calculate a potential return on this special situation, we need to make a few assumptions:

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1. What is the assumed probability of a deal vs. no-deal ?
2. What is the timeline ?
3. What will be the ultimate purchase price for the Brazilian stake ?
4. What will Ocean Wilson do with the proceeds ?
5. How will the share price of Ocean Wilson react, i.e. how will be the discount to NAV after a deal ?
6. What happens if the deal does not go through ?

My “gut feeling” assumptions would be as follows:

1. 75% probability
2. Year end 2024 (for deal announcement, Q1 2025 for NAV discount tightening)
3. Current market price +20%
4. Reinvest in Hedge-Funds
5. NAV discount will narrow to -35%
6. Share price will drop back to mid June Level 2023

This gives us the following “expected” return:

Upside case	
20% premium Wilson Sons	704,1
Investment portfolio	319,6
Total NAV	1023,7
-35% Discount	665,3734795
Vs. current market cap	41,0%
Downside Case	
Share price pre announcement	10 GBP
Current share price	13,5
Downside Case	-25,9%
Weighted expected return:	
75% Deal	30,7%
25% no deal	-6,5%
Total expected return	24,2%

Of course my assumptions could turn out to be wrong

- The purchase price could be lower or higher.
- Maybe the NAV discount doesn't narrow at all (negative).
- Maybe Ocean Wilson pays a special dividend or even buys back stock (positive).
- If the deal fails, the share price could go lower (negative).
- the timeline could be further extended

On balance, I do think that my assumptions are not aggressive and should be considered a “Base case”.

For me, +24% expected return for a potential holding period of ~6 months looks pretty OK.

9. Why are they selling now after so many years ?

This is a question I have asked myself without a clear answer. In the Hansa presentation, there is a chart that shows that the long term performance of Wilson Sons since the IPO in 2007 was not that great.

Also in the most recent Hansa Investment webcast, William Salomon mentioned that the investment only delivered [“utility like” returns](#).

On the other hand, business currently seems to do well and especially for the Terminal assets, the market is relatively hot.

As Mr. Salomon is also 63 years old, he maybe now wants to “clean the ship” and sell when things look good. But that is all speculation.

10. Risks:

As mentioned above, all my assumptions could be completely wrong. Plus any political risk in Brazil, Bermuda or UK. Or elsewhere.

11. Conclusion & Game Plan:

Ocean Wilsons Holdings looks like a potentially interesting special situation. There is a relatively clear catalyst with decent upside and the potential downside looks limited.

I therefore decided to allocate ~2% of the portfolio into this Special Situation investment at ~13,70 GBP/share.

The interesting part will be if and when we get further information on a sale. Equally interesting will be if Management then says something about what they are going to do with the proceeds. In the Exmar case for instance, there was a time lag between the announcement of the sale and the announcement of a rather small special dividend.

It might also be helpful to watch what Hansa Investment and Wilson Sons will communicate in parallel.

Bonus Soundtrack: Mas que nada

 Sergio Mendes feat. Black Eyed Peas - Mas Que Nada