FY 2014 Results | Marketing Communication (Connected Research)

United Cacao Ltd SEZC#

BBG Ticker: CHOC LN/PE | *Price: 225p* | *Mkt Cap: £41.8m* | **BUY**

Year to December	Revenue (US$m)	EBITDA (adj) (US$m)	PBT (adj) (US$m)	EPS (dil, adj) (US$¢)	EV/Sales (x)	EV/EBITDA (x)	P/E (x)
2013A	0.00	(0.55)	(0.55)	(9.47)	n/a	n/a	n/a
2014A	0.00	(2.54)	(2.54)	(16.79)	n/a	n/a	n/a
2015E	0.00	(1.40)	(1.72)	(8.38)	n/a	n/a	n/a
2016E	1.40	(1.79)	(1.98)	(9.65)	42.3	n/a	n/a

***SOURCE**: Company, VSA Capital estimates.*

FY 2014 Results: Planting On Schedule

Last Tuesday, **United Cacao (CHOC LN)#** released its FY 2014 results. As a pre-revenue company, these are largely academic on a financial basis. However, strong operational progress has been demonstrated.

2,000ha Due to Be Planted By Year-End

Assuming sufficient debt funding is secured, CHOC is on target to fully plant out its 3,250ha corporate cacao estate by the end of 2016, as planned, with 2,000ha due to be planted by the end of 2015.

Broad In-Country Support

It is clear that CHOC operates with considerable local support, which has increased with the recent launch of its cacao smallholder programme. The company also recently entertained the President of Peru, Ollanta Humala, on his recent visit to the nearby town of Tamshiyacu. CHOC's dual-listing on the Lima stock exchange (completed 19 June) should also increase domestic support, making the company's stock available for local investors.

Fragility of Global Cacao Supply Obvious in 2015

With Cocobod, the cocoa board of Ghana, the second-largest global producer, recently reducing its 2014/15 crop estimate to 750,000t, just 75% of its initial expectations, and a developing El Niño now also attracting speculation, this year has certainly demonstrated the high level of fragility in global cacao supply chain. This provides us with confidence that CHOC is developing its business into an environment with attractive long-term supply and demand fundamentals.

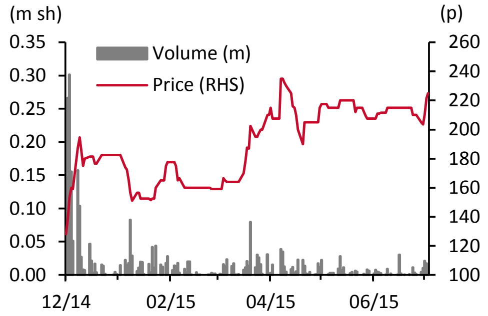
Recommendation and Target Price

We maintain our BUY recommendation but having made some changes to our forecasts (see page 8) have increased our 10-year DCF-derived target price to 253p (from 238p).

Company Description

United Cacao is developing a 3,250ha cacao plantation near Iquitos in the Loreto region of north-east Peru.

Price Performance Since Listing



Price % chg	1mn	3mn	Listing
	6.6%	8.4%	75.8%
12mn high/low:			235p/128p

***SOURCE**: FactSet, as of 3 July 2015 close.*

Market:	LSE AIM
Price target:	253p
Shares in issue:	18.59m
Free float:	28.8%
Net cash (Dec 2014A):	US$6.0m
Enterprise value:	US$59.3m
Next news:	H1 2015 Results (September)

Major shareholders	
East Pacific Capital Limited	28.1%
Minetta Peru Investors LLC	14.9%
Pacific Agri Capital Limited SEZC	12.8%

Edward Hugo, Head of Research and Agriculture Analyst

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Tom Greville-Williams, Assistant Analyst, Agriculture

Updated Valuation

We have made slight changes to our forecasts following the FY 2014 results, including some lower-margin contributions from smallholder-provided bean sales in later years. We have assumed that all of the limited cocoa production this year will be used internally in CHOC's nurseries, with commercial sales only starting in 2016; and that all plantain will be used on-site, not harvested and sold externally.

We now assume that CHOC will require approximately US$20m in debt funding (including interest payments) to reach self-sufficiency, should it choose to plant the last 1,250ha in 2016, as we believe it will.

Discounted Cash Flow - Summary

NPV (US$m)	**14.70**
TV (US$m)	61.41
EV (US$m)	**76.11**
Net Cash/(Debt)	(2.84)
Fair Value (US$m)	**73.27**
Fair Value (£m)	**46.96**
Shares Outstanding (m)	18.59
Fair Value Price (US$)	**3.94**
Fair Value Price (£)	**2.53**
Upside/(Downside) to Current Price	**12.4%**
Discount Rate	**10.0%**
Terminal Growth Rate	**0.0%**

SOURCE: *VSA Capital analysis.*

Peer Group Analysis

Although there is a lack of peers in upstream cocoa production, comparisons with downstream cocoa businesses, as well as with peers in other sectors, do offer an indication of the potential for CHOC.

Once the 3,250ha estate is fully mature (2022), we forecast that UCL will be generating a PAT of cUS$16.0m (assuming some contribution from smallholders). Taking an average 'cocoa processing' forward P/E of 13.3x, this would suggest a market capitalisation for CHOC in 2021 of cUS$210m (c£135m), 3.25x its current valuation in seven years.

Listed Companies Offering Cocoa Exposure

Listed Companies	Location of Main Cocoa Operations	Mkt Cap (£m)	Ent Value (£m)	2015E EV/EBITDA	2016E EV/EBITDA	2015E P/E	2016E P/E
Production							
United Cacao Ltd SEZC	Peru	43	38	n/a	n/a	n/m	n/m
Tropical Farms[#]	Sierra Leone	7	5	n/a	n/a	n/a	n/a
Processing							
Barry Callebaut AG	Global	3,989	4,844	13.2	12.2	22.9	20.1
JB Foods Ltd.	Malaysia	30	72	n/a	n/a	n/a	n/a
Olam International Limited	Global	2,188	5,980	10.0	8.9	11.0	9.5
Noble Group Limited	Global	2,404	4,902	7.4	7.1	7.6	6.7
Guan Chong Bhd.	Malaysia, Indonesia, Singapore	63	230	n/a	n/a	n/a	n/a
FTN Cocoa Processors Plc	Nigeria	4	12	n/a	n/a	n/a	n/a
Mitsubishi International Corporation[##]	Global	23,207	49,449	12.7	11.4	11.6	10.4
Cocoa Processing Co. Ltd.	Ghana	6	42	n/a	n/a	n/a	n/a
			Average	**10.8**	**9.9**	**13.3**	**11.7**
Confectionery Brands							
Mondelez International, Inc. Class A	Global	43,316	55,747	16.3	15.0	24.1	20.7
Nestle S.A.	Global	146,211	158,027	13.3	12.5	20.4	19.0
Meiji Holdings Co. Ltd.	Asia, USA	6,244	7,387	14.0	13.1	26.3	28.8
Hershey Company	Global	12,640	14,290	13.0	12.2	21.5	19.7
Chocoladefabriken Lindt & Sprüngli	Europe, USA	9,303	10,070	22.7	20.5	37.7	33.8
Ezaki Glico Co., Ltd.	Asia, Europe, N America	2,058	1,782	12.3	11.2	31.2	27.7
Petra Foods Limited	Asia	988	885	16.5	14.0	33.6	28.4
Thorntons PLC	UK	100	139	8.5	7.3	23.4	16.8
Natra, S.A.	Spain	18	133	9.7	7.5	n/a	n/a
Ulker Biskuvi Sanayi A.S.	Global	1,426	1,520	16.0	12.6	24.2	18.6
			Average	**14.2**	**12.6**	**26.9**	**23.7**

NOTES: *# Subsidiary of Agriterra, ## Subsidiary of Mitsubishi Corporation;* ***SOURCE:*** *FactSet data, as of 3 July 2015.*

FY 2014 Results and Outlook

Results Highlights

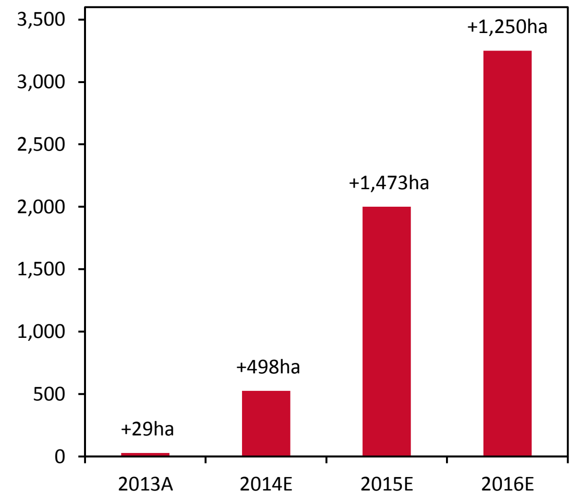
- **Area Planted at 31 December 2014:** 527 hectares
- **Area Planted at 30 June 2015:** 1,150 hectares
- **Net Loss for FY 2014 (Y/E 31 December):** US$3.0m
- **Net Cash at 31 December 2014:** US$7.8m

As a pre-revenue company, the financial results are largely academic. However, strong operational progress has been demonstrated. The net loss was higher than we had forecast, as CHOC accelerated development following the IPO in December, with SG&A costs also higher than expected (US$2.9m) largely due to one-off listing costs. We expect SG&A to be lower in subsequent years, running at around US$1.4m per year.

Initial Harvesting Under Way

Initial harvesting has begun on the first plantings made in Q4 2013. As the low volume currently being produced means that exports would be uneconomic at this stage, the wet beans are currently being used as seeding material for the nursery. CHOC expects its first commercial sales in 2016 and remains on target to fully plant out 2,000ha by the end of 2015.

Planting Schedule



SOURCE: *VSA Capital estimates.*

Legal Success

In a legal update, CHOC has confirmed that the Superior Court of Appeals of Loreto has ruled in the company's favour upon the litigation outlined at the time of listing. Although potential for an appeal exists, CHOC has now won this case twice in the courts.

Clear Local Support

It is clear that CHOC is operating with considerable local support, which will have increased further with the recent launch of its cacao smallholder programme. The recent visit from the President of Peru, Ollanta Humala, to Tamshiyacu (the nearest town to the estate), along with the local Mayor, State President and other officials, is further evidence of this support. In addition, CHOC's dual-listing on the Lima Stock Exchange makes the stock accessible for local investors, which have a long history of supporting export orientated businesses in the agriculture sector.

Supportive Market Conditions

Cocoa prices have been very strong recently due to the aforementioned reduced 2014/15 crop estimate from the Ghanaian cocoa board and the emergence of the El Niño weather phenomenon increasing speculation in the market. We discuss these issues in more detail in our Cocoa Market Update section on the following pages.

This year has certainly highlighted the volatility of pricing and fragility of supply in the cocoa market. We continue to believe that this points to an attractive long-term environment for CHOC to develop its business into. Our forecast at the start of the year, that the 2014 peak cocoa price would be surpassed in 2015, is already close to being fulfilled with the US benchmark cocoa price now closing in on last year's high of US$3,371/t (US$3,288/t on 3 July).

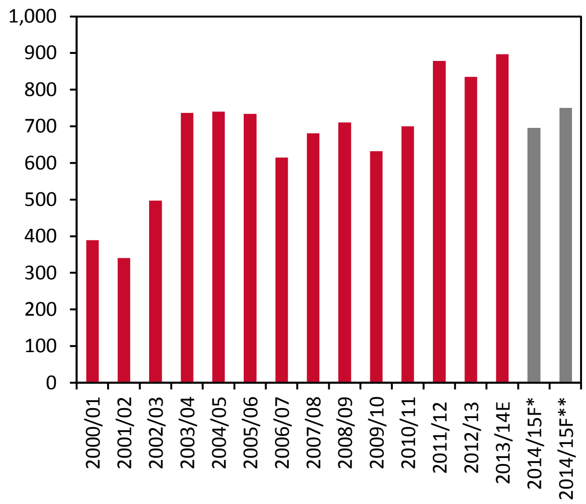
Cocoa Market Update

Ghana Production Forecast Now 25% Below Initial Expectations

At the start of June, Ghana's cocoa regulator, Cocobod, reduced its cocoa crop estimate for the 2014/15 season (1 October - 30 September) by a further 100,000t to 750,000t. This represents a significant reduction from both its initial crop forecast of around 1,000,000t, and the mid-season revised figure of 850,000t. It also represents a 16% YoY decrease from the 2013/14 crop (897,000t). Cocobod added that by the end of the official main crop (1 October - 31 May), its cocoa purchases had only slightly exceeded 600,000t. With the light crop (June - September) typically adding less than 100,000t, the Cocobod forecast may still be optimistic.

Moreover, it should also be noted that Cocobod's revised forecast is still higher than the International Cocoa Organisation (ICCO) forecast of 696,000t, which itself was reduced from 810,000t on 29 May. The ICCO figure represents an even greater potential YoY decrease of 22%.

Annual Ghana Cocoa Production (000t)



NOTE: **ICCO forecast; ** Cocobod forecast.* ***SOURCE:*** *ICCO, Cocobod.*

Cocobod Bond Analysis

	2014/15
Pre-Export Finance Bond (US$bn)	**1.70**
Forecast Main Crop Production (t)	600,000
Average US Benchmark Price (US$/t)	2,941
Market Value of Purchases (US$bn)	**1.76**
Fixed Cocobod Purchase Price (Cedi/t)	5,520
Average Cedi/US$ FX Rate	3.55
Average Cocobod Purchase Price (US$/t)	1,556
Cocobod Spend on Purchases (US$bn)	**0.93**

SOURCE: *Cocobod, VSA Capital analysis.*

Extending Main Crop Buying Season Will Impact Domestic Processing

Cocobod has extended its main crop buying period indefinitely to make up the shortfall, as it has reportedly sold forward 850,000t for this season. The smaller-sized cocoa beans from the light crop are typically sold at a discount to the domestic processing businesses, and therefore the main crop extension will have an impact on Ghana's efforts to increase domestic cocoa processing this year. Despite recent high-profile cocoa processing announcements, we believe this clearly shows the continued preference for export sales (and the US dollar revenues that these provide), rather than truly developing its domestic processing capacity. The main crop buying extension also raises quality concerns as Ghana may be required to fulfil international contracts with some of the light crop beans, instead of the higher-quality main crop beans.

Cocobod Bond Covered Despite Main Crop Extension

In September 2014, Cocobod signed a US$1.7bn pre-export, syndicated finance facility (1.2% interest rate) for cocoa purchases in the 2014/15 season. Using the average US benchmark cocoa price over the period, the 600,000t purchased during the official main crop suggests a total market value approaching US$1.8bn, enough to cover the repayment of this bond. That said, pricing has been volatile, so a benchmark average over the whole period has its limitations; but it also excludes any "Ghana premium" pricing, which is often paid for its higher quality product. In a more recent update, Cocobod confirmed that it had now purchased enough cocoa to satisfy the 2014/15 loan and had acquired 652,986t of cocoa to 26 June.

No Clear Reason for Production Shortfall

A variety of reasons have been suggested for this years' downturn, including biological tree stress given the strong production seen in the last three years (annual average 870,000t); late application of fertiliser, pesticides and fungicides (caused by a failed subsidy programme); low levels of rainfall; and a stronger than normal Harmattan (a cold-dry and dusty trade wind, blowing over the West African sub-region). As these factors are predominately short-term, they could have much less of an impact on next year's season, which would suggest that a significant bounce-back in production will occur.

However, other factors are clearly more structural, such as the high average age of a typical cocoa farmer; the high average age of trees (c35 years); a switch to other, easier to manage crops; city migration; and competition for land with extractive industries such as gold mining.

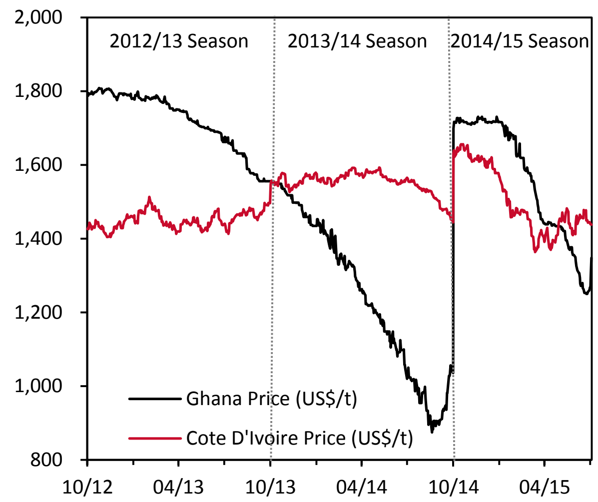
Smuggling Unlikely to be a Major Factor This Year

Despite achieving record production in 2013/14, Ghana experienced substantial levels of smuggling during the season, as its currency depreciated significantly against the US dollar. This would suggest that Ghana's actual crop may have been higher than the official estimate. This, in turn, suggests that this year's YoY decrease is actually worse than it appears on the surface, if the muting impact from smuggling last year is excluded.

In an attempt to address the smuggling issue for this season, Cocobod increased its farm-gate cocoa purchase price to 5,520 Cedi/t, +63% YoY in local currency terms, placing it at a premium to the Côte d'Ivoire price.

Although Ghana has once again experienced significant currency depreciation, the US dollar converted price only fell below the Côte d'Ivoire price at the start of May 2015. In addition, ICCO figures reveal that up to 28 June, cocoa arrivals at Côte d'Ivoire ports reached 1,546,000t compared to 1,587,000t last season, -2.6% YoY. Arrivals were significantly ahead YoY at start of this season, and had there been significant smuggling, we would have expected arrivals to accelerate as the Cedi decreased, which it has not. The combination of these two factors leads us to believe that smuggling was probably much less of a problem during this year's main crop period.

US$ Converted Cocoa Farm-Gate Prices



SOURCE: *FactSet, VSA Capital analysis.*

ICCO and Cocobod Forecast Recovery Next Year

The ICCO certainly believes that the fall in Ghanaian cocoa production is short term, and recently expressed confidence that it would rise once more in the 2015/16 season, with an increased provision of farm inputs and greater efforts to encourage younger people to become farmers. Cocobod clearly agrees, and is closing a US$1.8bn (+6% YoY) pre-export loan to finance purchases in the 2015/16 season. The level of investor uptake for this bond has apparently been very good and is expected to close September 2015, suggesting this years' production shortfall has done little to damage international investor confidence in Ghana's cocoa sector. However, with some of next years' main crop (starting October 2015) potentially needed to satisfy some of the forward sold contracts made for the 2014/15 season, another disappointing cocoa crop next year would likely dampen investor appetite more significantly.

YoY Production Growth Only Expected in the Americas

On 29 May, the ICCO revised its forecasts for global production and consumption, with output now expected to be 4.168 million tonnes (Mt), a reduction of 64,000t from the previous estimate. Its grinding forecast was also reduced by

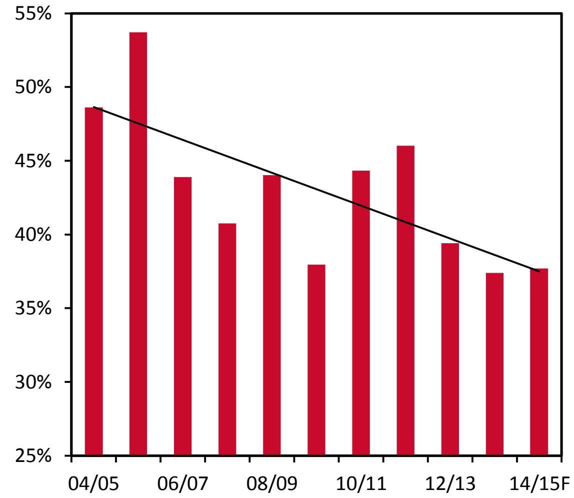
43,000t from the last estimate, to 4.164Mt. The ICCO is now forecasting a supply deficit of 38,000t, which will result in an ending stocks to grinding ratio only slightly above last year's low figure. Production in Africa is forecast to fall 7%, with Asia & Oceania flat and the only increase projected in the Americas (+3%). Peru represents one of the stand-out countries in this regard with the Peruvian Ministry of Agriculture and Irrigation expecting cocoa production to reach 90,000t this year, an increase of 15% YoY.

Further M&A Activity Likely

The recent proposed acquisition of **Thornton's (THT LN)** by Italian chocolate manufacturer **Ferrero** is the latest in a long line of acquisitions in the chocolate and cocoa grinding sectors to highlight the popularity of M&A activity in the mid- and downstream cacao sector.

However, with a global chocolate market of more than US$100bn, supported by a smallholder-dominated cocoa sector worth cUS$13bn at current benchmark pricing, we believe that in the coming years, professionally operated, large-scale cacao plantations will provide attractive acquisition opportunities for grinders and confectionary companies. Moreover, in our view, this attractiveness is only likely to increase as security of supply becomes more and more important in a tightening market. The lack of current opportunities certainly restricts such activity at present, but as CHOC and other privately-owned plantations move towards being fully planted, and then to maturity, interest should increase.

Ending Stocks to Grinding Ratio

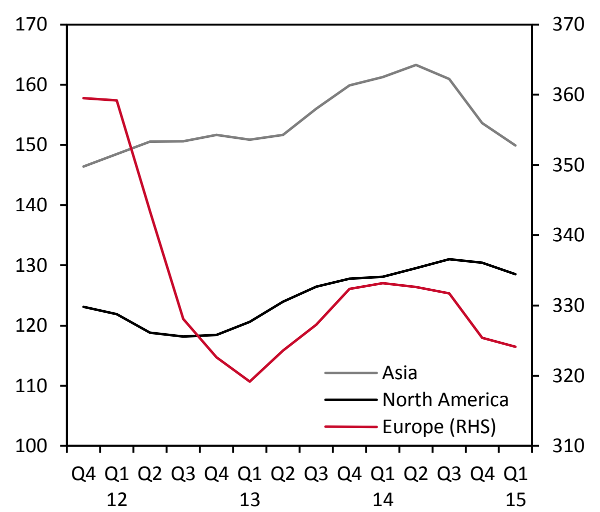


***SOURCE:** ICCO.*

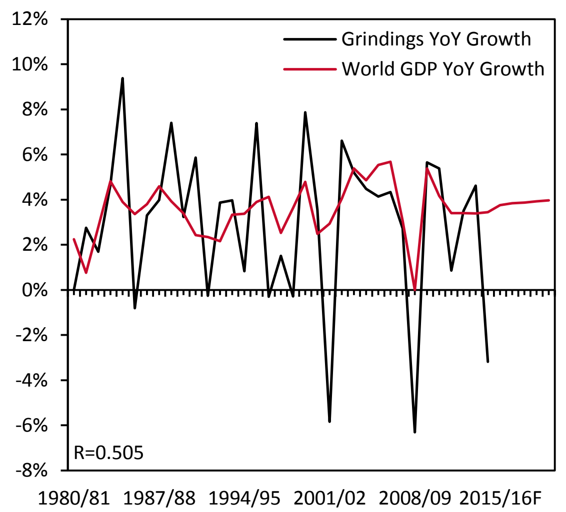
Demand Still Subdued, GDP Correlation Long-Term Positive

Highlighted by the recent ICCO reduction in forecast grindings, with a 3.2% YoY fall now expected for 2014/15, global chocolate consumption is showing signs of being affected by the current elevated prices. However, given that grindings have a strong positive correlation with global GDP, the longer-term picture looks much more positive.

Regional Grindings (12-mn MA, 000t)



GDP and Chocolate Consumption Growth



***SOURCES:** European Cocoa Association, Cocoa Association of Asia, US National Confectioners Association, ICCO, IMF.*

We Remain Confident in Our 2015 Price Forecast

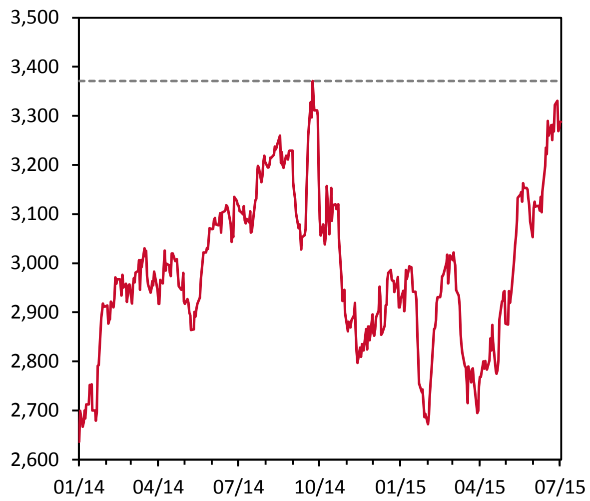
With the current US benchmark cocoa price of US$3,288/t closing in on the 2014 high of US$3,371/t, we remain confident in our start-of-year forecast that this contract would surpass its 2014 high at some point this year. The production shortfall in Ghana and the emergence of a weak El Niño, which appears to be strengthening, only make us more confident in our prediction.

A severe El Niño event could bring dry conditions to West Africa, which will impact cocoa yields. In its latest update the US National Oceanic and Atmospheric Administration estimates that there is an 85% chance that the current event will continue into winter 2015/16, up from 50% three months ago.

Whether or not El Niño continues to develop to rival the very strong 1997/98 event, this year has certainly highlighted the volatility of pricing and fragility of supply in the cocoa market. This suggests that CHOC is developing its business into an attractive long-term environment.

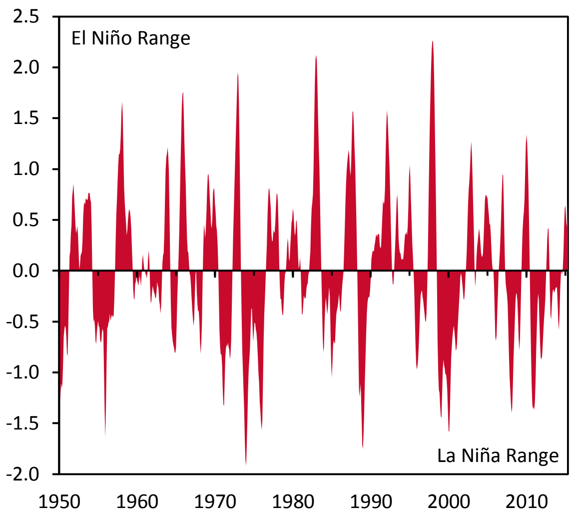
Our model assumes a flat cocoa price based on the prevailing five-year average. This is currently US$2,718/t, almost 20% below the current spot price and exclusive of any sustainability and quality premiums that CHOC is likely to receive. It is clear that significant potential for upside exists in our forecasts.

US Benchmark Cocoa Contract (US$/t)



SOURCE: *FactSet data.*

3mn Niño Region 3.4 Average



SOURCE: *US National Oceanic and Atmospheric Administration.*

Updated Financial Forecasts

Profit and Loss

Year End December (US$m)	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Area Under Harvest (ha)	-	-	29	1,263	2,697	3,250	3,250	3,250
Total Cocoa Production Available for Sale (t)	-	-	-	490	1,547	2,818	4,567	6,791
Standard Cocoa Yield (t/ha)	-	-	0.4	0.4	0.6	0.9	1.4	2.2
Standard Cocoa Price (US$/t)	-	-	2,718	2,718	2,718	2,718	2,718	2,718
Total Revenue	**0.00**	**0.00**	**0.00**	**1.40**	**4.54**	**8.57**	**14.24**	**21.65**
Cost of Sales	0.00	0.00	(0.04)	(1.82)	(4.25)	(6.02)	(7.76)	(10.30)
Gross Profit	**0.00**	**0.00**	**(0.04)**	**(0.42)**	**0.28**	**2.55**	**6.48**	**11.35**
Gross Profit Margin	*n/a*	*n/a*	*n/a*	*-29.8%*	*6.3%*	*29.7%*	*45.5%*	*52.4%*
Other Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
SG&A Expenses	(0.55)	(2.54)	(1.35)	(1.37)	(1.38)	(1.40)	(1.41)	(1.43)
EBITDA (adj)	**(0.55)**	**(2.54)**	**(1.40)**	**(1.79)**	**(1.10)**	**1.15**	**5.07**	**9.92**
Depreciation	(0.00)	(0.00)	(0.03)	(0.03)	(0.04)	(0.04)	(0.04)	(0.04)
EBIT (adj)	**(0.55)**	**(2.54)**	**(1.42)**	**(1.82)**	**(1.14)**	**1.11**	**5.02**	**9.88**
Exceptionals	(0.02)	(0.11)	0.00	0.00	0.00	0.00	0.00	0.00
EBITDA (rpt)	**(0.69)**	**(2.98)**	**(1.73)**	**(2.12)**	**(1.44)**	**0.81**	**4.73**	**9.58**
EBIT (rpt)	**(0.69)**	**(2.98)**	**(1.76)**	**(2.16)**	**(1.47)**	**0.77**	**4.69**	**9.54**
Finance Income	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Finance Expense	0.00	0.00	(0.30)	(0.16)	(1.00)	(1.00)	(0.85)	(0.50)
PBT (rpt)	**(0.69)**	**(2.98)**	**(2.06)**	**(2.32)**	**(2.47)**	**(0.23)**	**3.84**	**9.04**
PBT (adj)	**(0.55)**	**(2.54)**	**(1.72)**	**(1.98)**	**(2.14)**	**0.11**	**4.17**	**9.38**
Tax Rate	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*	*0.0%*
Tax Rebate (Expense)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
PAT (rpt)	**(0.69)**	**(2.98)**	**(2.06)**	**(2.32)**	**(2.47)**	**(0.23)**	**3.84**	**9.04**
PAT (adj)	**(0.55)**	**(2.54)**	**(1.72)**	**(1.98)**	**(2.14)**	**0.11**	**4.17**	**9.38**
Basic Wgt Ave Shares (m)	4.50	13.85	18.59	18.59	18.59	18.59	18.59	18.59
Basic EPS (rpt, ¢)	**(15.44)**	**(21.54)**	**(11.08)**	**(12.48)**	**(13.31)**	**(1.22)**	**20.65**	**48.62**
Basic EPS (adj, ¢)	**(12.16)**	**(18.34)**	**(9.27)**	**(10.67)**	**(11.50)**	**0.59**	**22.46**	**50.43**
Est Dilutive Shares	1.28	1.28	1.98	1.98	1.98	1.98	1.98	1.98
Wgt Ave Diluted Shares (m)	5.78	15.13	20.57	20.57	20.57	20.57	20.57	20.57
Diluted EPS (rpt, ¢)	**(12.02)**	**(19.71)**	**(10.02)**	**(11.28)**	**(12.03)**	**(1.10)**	**18.66**	**43.94**
Diluted EPS (adj,¢)	**(9.47)**	**(16.79)**	**(8.38)**	**(9.65)**	**(10.40)**	**0.53**	**20.30**	**45.58**
Dividend per share (£p)	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**	**0.00**

SOURCE: *Company data, VSA Capital estimates.*

Balance Sheet

Year End December (US$m)	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Assets								
Cash & Equivalents	0.74	5.95	3.16	1.42	3.25	1.69	1.77	3.87
Trade and Other Receivables	0.02	1.81	2.16	2.51	2.86	3.21	3.56	3.91
Inventories	0.00	0.07	0.13	0.19	0.26	0.32	0.38	0.45
Taxes and charges paid in advance	0.01	0.09	0.09	0.09	0.09	0.09	0.09	0.09
Total Current Assets	**0.77**	**7.92**	**5.54**	**4.21**	**6.45**	**5.31**	**5.80**	**8.32**
Net PPE	1.01	6.39	8.06	9.26	9.44	9.62	10.50	10.86
Biological Assets	0.17	1.72	7.38	13.02	15.97	17.55	17.85	17.85
Intangibles	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total Long-Term Assets	**1.18**	**8.12**	**15.43**	**22.29**	**25.41**	**27.17**	**28.35**	**28.71**
Total Assets	**1.95**	**16.03**	**20.98**	**26.50**	**31.86**	**32.48**	**34.16**	**37.04**
Liabilities + Equity								
Short-Term Debt	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Trade and Other Payables	(0.05)	(0.55)	(1.06)	(1.56)	(2.07)	(2.57)	(3.08)	(3.58)
Total Current Liabilities	**(0.05)**	**(0.55)**	**(1.06)**	**(1.56)**	**(2.07)**	**(2.57)**	**(3.08)**	**(3.58)**
Long-Term Debt	0.00	0.00	(6.00)	(13.00)	(20.00)	(20.00)	(17.00)	(10.00)
Total Long-Term Liabilities	**0.00**	**0.00**	**(6.00)**	**(13.00)**	**(20.00)**	**(20.00)**	**(17.00)**	**(10.00)**
Total Liabilities	**(0.05)**	**(0.55)**	**(7.06)**	**(14.56)**	**(22.07)**	**(22.57)**	**(20.08)**	**(13.58)**
Share Capital	0.01	0.02	0.02	0.02	0.02	0.02	0.02	0.02
Share Premium	2.51	18.61	18.78	18.78	18.78	18.78	18.78	18.78
Retained Earnings (Deficit)	(0.74)	(3.72)	(5.78)	(8.10)	(10.57)	(10.80)	(6.96)	2.08
Reserves	0.13	0.57	0.90	1.24	1.58	1.91	2.25	2.59
Total Equity	**1.91**	**15.48**	**13.92**	**11.93**	**9.80**	**9.91**	**14.08**	**23.46**

SOURCE: *Company data, VSA Capital estimates.*

Cash Flow Statement

Year End December (US$m)	2013A	2014A	2015E	2016E	2017E	2018E	2019E	2020E
Cash From Operations								
EBIT (rpt)	**(0.69)**	**(2.98)**	**(1.76)**	**(2.16)**	**(1.47)**	**0.77**	**4.69**	**9.54**
Depreciation & Amortisation	0.00	0.00	0.03	0.03	0.04	0.04	0.04	0.04
EBITDA (rpt)	**(0.69)**	**(2.98)**	**(1.73)**	**(2.12)**	**(1.44)**	**0.81**	**4.73**	**9.58**
Share-based Payments	0.13	0.34	0.34	0.34	0.34	0.34	0.34	0.34
Allowance for VAT Impairment	0.03	0.13	0.00	0.00	0.00	0.00	0.00	0.00
Impairments and Other Non-Cash	0.00	(0.00)	0.00	0.00	0.00	0.00	0.00	0.00
(Increase) decrease in assets:								
Trade and Other Receivables	(0.05)	(1.92)	(0.35)	(0.35)	(0.35)	(0.35)	(0.35)	(0.35)
Inventories	(0.00)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)	(0.06)
Taxes and charges paid in advance	(0.01)	(0.09)	0.00	0.00	0.00	0.00	0.00	0.00
Increase (decrease) in liabilities:								
Trade and Other Payables	0.05	0.50	0.50	0.50	0.50	0.50	0.50	0.50
Cash From Operations	**(0.55)**	**(4.08)**	**(1.31)**	**(1.70)**	**(1.01)**	**1.24**	**5.16**	**10.01**
Income Tax Paid	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Interest Paid	0.00	0.00	(0.30)	(0.16)	(1.00)	(1.00)	(0.85)	(0.50)
Interest Received	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Net Cash From Operations	**(0.55)**	**(4.08)**	**(1.61)**	**(1.86)**	**(2.01)**	**0.24**	**4.31**	**9.51**
Cash From Investments								
Investment in Biological Assets	(1.02)	(5.54)	(1.69)	(1.24)	(0.22)	(0.22)	(0.92)	(0.41)
Purchase of PPE	(0.16)	(1.31)	(5.65)	(5.65)	(2.94)	(1.58)	(0.30)	0.00
Disposal of Land	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00
Cash From Investments	**(1.18)**	**(6.83)**	**(7.35)**	**(6.89)**	**(3.16)**	**(1.80)**	**(1.23)**	**(0.41)**
Cash From Financing								
Proceeds from Issue of Ord. Shares (net)	2.47	7.98	0.16	0.00	0.00	0.00	0.00	0.00
Proceeds from Preference Shares (net)	0.00	8.13	0.00	0.00	0.00	0.00	0.00	0.00
Proceeds from Loans	0.00	0.00	6.00	7.00	7.00	0.00	0.00	0.00
Repayment of Loans	0.00	0.00	0.00	0.00	0.00	0.00	(3.00)	(7.00)
Loans Received from Related Entities	0.96	0.07	0.00	0.00	0.00	0.00	0.00	0.00
Loans Granted to Related Entities	(0.38)	(3.58)	0.00	0.00	0.00	0.00	0.00	0.00
Collections (payments) from/to Related Parties	(0.59)	3.51	0.00	0.00	0.00	0.00	0.00	0.00
Dividends Paid to Shareholders	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash From Financing	**2.47**	**16.12**	**6.16**	**7.00**	**7.00**	**0.00**	**(3.00)**	**(7.00)**
Change in Cash	0.74	5.21	(2.79)	(1.75)	1.83	(1.56)	0.08	2.11
Cash & cash equivalents at start of year	**0.01**	**0.74**	**5.95**	**3.16**	**1.42**	**3.25**	**1.69**	**1.77**
FX Adjustments	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cash & cash equivalents at end of year	**0.74**	**5.95**	**3.16**	**1.42**	**3.25**	**1.69**	**1.77**	**3.87**

SOURCE: *Company data, VSA Capital estimates.*

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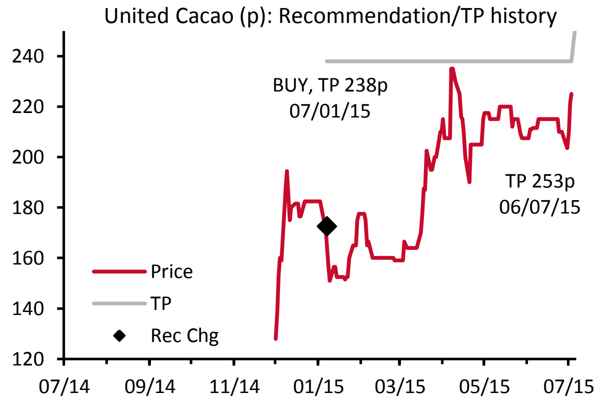
Equities breakdown: 30 June 2015	Spec. BUY	BUY	HOLD	SELL
Overall equities coverage	26.3%	68.4%	5.3%	0.0%
Companies to which VSA has supplied investment banking services	25.0%	75.0%	0.0%	0.0%

Recommendation and Target Price History



***SOURCE**: FactSet data, VSA Capital estimates.*

Valuation basis

We have valued CHOC using a DCF valuation, sense checked against EV/Planted Hectare multiples in similar industries.

Risks to that valuation

Once in production, CHOC will be exposed to single commodity risk. Peru political risk will also be a factor.

This recommendation was first published on 7 January 2015.