

PPAP (KH100040001CSX)

August 30, 2019

Performance Highlights

FY ends Dec (KHR'bn)	1H19	% YoY	2Q19	% QoQ	% YoY
Revenue	47.12	25.4%	23.60	0.4%	25.0%
EBITDA	35.57	86.8%	14.41	-31.9%	59.3%
EBIT	29.35	124.0%	11.28	-37.6%	86.2%
Finance cost	-3.29	40.8%	-2.19	98.1%	79.3%
PBT	26.06	142.0%	9.09	-46.4%	87.9%
Net profit	21.52	144.7%	6.94	-52.4%	64.7%
EBITDA margin	75.5%	24.8%pt	61.0%	-28.9%pt	13.1%pt
EBIT margin	62.3%	27.4%pt	47.8%	-29.1%pt	15.7%pt
Net margin	45.7%	22.3%pt	29.4%	-32.6%pt	7.1%pt

Source: The Company, YSC Research

1H19 review: Net profit more than doubles as container throughputs reach record high

Container throughputs surge 26.8% YoY to record high in 1H19

- In 2Q19, container throughputs came to 60,875 TEUs, the largest throughputs PPAP has ever handled during a second quarter. The 24.5% YoY growth was mainly driven by 45% YoY jump in imports of construction materials, 22% YoY increase in exports of garment & textile products and 30% YoY surge in rice exports. Meanwhile, container shipments of the three-month period reached an all-time high of 498,249 tons (+35.2% YoY), of which 348,568 tons (+36.9% YoY) were import shipments and 149,681 tons (+31.4% YoY) were export shipments. On the other hand, general cargoes dropped 5.1% YoY to 192,436 tons, while oil & gas cargoes soared 34.1% YoY to 268,641 tons.
- Container throughputs reached 120,090 TEUs in 1H19, up 26.8% from the same period in 2018, and is the biggest throughputs the port operator has achieved in a six-month period. Total cargo shipments (container, general, and oil & gas) grew 25.9% YoY to its peak of 1,865,818 tons between January and June of the year.

Revenue sees remarkable growth; non-operating income increases more than six-fold

- As a result of the marked increase in cargo traffic, the company's top line grew remarkably. PPAP's revenue soared 25.0% YoY to KHR23.6bn in 2Q19 despite other operating incomes (trucking, sand dredging, survey revenue, and others) declining 20.4% YoY. Three main sources of revenue namely stevedoring, lift-on lift-off (LOLO), and port services, all posted impressive growth, surging 31.1%, 21.9%, 16.4% YoY, respectively, and together accounted for 93.5% of the revenue in the second quarter of 2019. In addition, income from storage service more than doubled from KHR400mn in 2Q18 to KHR858mn in 2Q19.
- On top of core business revenue, PPAP also earned quite significantly from other non-operating income, which in 2Q19 represented more than 10% of the core business revenue. Led by interest and rental incomes, other non-operating income tripled to nearly KHR3bn from April to June. This was due to the additional rental income PPAP received from leasing its land to Chean Choeng Thai Group (subsidiary of YUETAI Group), the additional rental income from the sublease of land it leased from state-owned company Green Trade to Hui Bang International Investment Group and Mekong Oryza Trading, and the additional interest income the port operator received from its deposit of the upfront leasing income of \$15mn (about KHR60bn) at Foreign Trade Bank.
- In the first six months of 2019, top line reached a record high of KHR47bn, up 25.4% from the same period last year. Meanwhile, other non-operating income increased more than six-fold from KHR1.73bn in 1H18 to over KHR11.05bn in 1H19. The jump in other non-operating income was the result of the KHR5.68bn income from net investment in sublease of the land it leased from Green Trade to Hui Bang International Investment Group and Mekong Oryza Trading.

Operating profit margin expands notably

- EBITDA and EBIT jumped 59% and 86% YoY to KHR14.41bn and KHR11.28bn, respectively, in 2Q19. While total cost of services (variable cost) increased 22.7% YoY due to rising cargo traffic, total general administrative expenses (fixed cost) dropped slightly by 0.6% YoY, indicating that the economy of scale is at work. The result is a notable expansion of operating profit margin. EBITDA margin expanded 13.1%pt to 61.0%, while EBIT margin widened by 15.7%pt to 47.8%.
- In 1H19, EBITDA amounted to KHR35.57bn (+86.8% YoY), while EBIT reached KHR29.35bn (+124.0% YoY).

Net profit more than doubles

- Thanks to outstanding core revenue growth and extraordinary income from net investment in sublease in 1Q19, net profit for the first six months of 2019 more than doubled to KHR21.52bn, which is almost the size of annual net profit in 2017 of KHR21.69bn.

Current mkt. price	KHR 9,320
IPO price	KHR 5,120

Source: CSX, YSC Research

Stock info

Industry	Transport Support Services
Market cap (KHRbn)	198,156
Outstanding shares (mn)	21
Majority shareholder	Ministry of Economy & Fin (%) 80
Avg daily vol. (last 6 months, shr)	1,677
Free floating shares (last 6 months, %)	0.96%
Price low/high (last 6 months, KHR)	8,980-9,700
EPS (KHR) (ttm)	1722
P/E (x) (ttm)	5.56
P/B (x) (mrq)	0.35
P/B* (x) (mrq)	1.04
EV/EBITDA (x) (ttm)	3.77
D/E (%) (mrq)	32.71

Note: ttm = trailing twelve months (2Q18-2Q19); mrq = most recent quarter (2Q19); *Excluding equity of Class C (non-voting) shares.

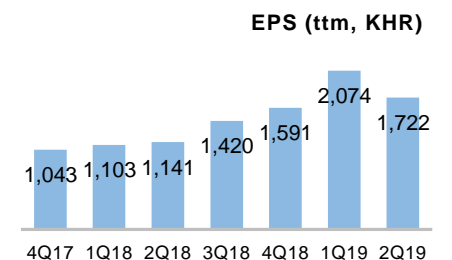
Stock performance



Trading volume & value in last 12 months

	Monthly trading		Average per day	
	Volume (shr)	Value (KHR'mn)	Volume (shr)	Value (KHR'mn)
Sep-18	8,054	50	424	2.6
Oct-18	4,184	27	246	1.6
Nov-18	13,429	86	746	4.8
Dec-18	55,673	406	2,784	20.3
Jan-19	89,996	951	4,286	45.3
Feb-19	41,581	412	2,188	21.7
Mar-19	13,557	128	678	6.4
Apr-19	56,236	519	3,124	28.9
May-19	21,371	195	1,257	11.5
Jun-19	51,680	476	2,720	25.1
Jul-19	13,196	121	574	5.3
Aug-19	43,514	408	1,978	18.6

Earning strength



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Container throughputs

Container throughputs	2Q19	% QoQ	% YoY	1H19	% YoY
TEUs	60,875	2.8%	24.5%	120,090	26.8%
Tonnage					
Import (tons)	348,568	26.4%	36.9%	624,260	37.7%
Export (tons)	149,681	-9.9%	31.4%	315,893	24.7%
Total (tons)	498,249	12.8%	35.2%	940,153	33.0%

Source: The Company

Container, general, and oil cargoes

Cargoes (Ton)	2Q19	% QoQ	% YoY	1H19	% YoY
Container	498,249	12.8%	35.2%	940,153	33.0%
General	192,436	-5.6%	-5.1%	396,187	6.2%
Oil & gas	268,641	3.0%	34.1%	529,478	31.6%
Total	959,326	5.8%	24.3%	1,865,818	25.9%

Source: The Company

Breakdown of revenue

Source of revenue	2Q19	% QoQ	% YoY	1H19	% YoY
Stevedoring	10,396	3.9%	31.1%	20,398	29.1%
LOLO	8,322	4.1%	21.9%	16,315	24.0%
Port services	3,354	-16.7%	16.4%	7,381	17.5%
Storage	858	46.8%	114.2%	1,443	92.7%
Others	673	-25.9%	-20.4%	1,582	-0.2%

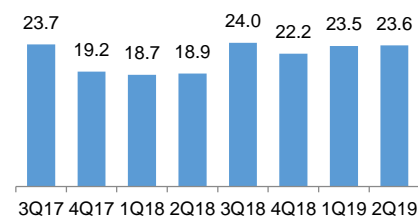
Source: The Company

Financial Ratios

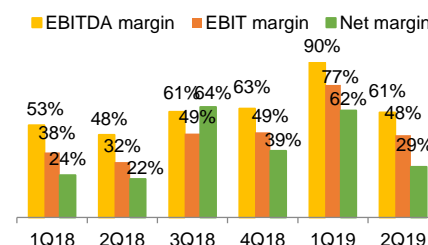
FY end to Dec	2016	2017	2018	TTM***
Per share ratios				
EPS (KHR)	810	1,043	1,591	1,722
BPS (KHR)	25,195	26,121	27,382	27,382
BPS* (KHR, excluding Class C)	7,062	7,988	9,249	9,249
EBITDA/Shr (KHR)	1,647	2,021	2,311	2,570
SPS (KHR)	3,194	3,688	4,053	4,053
DPS (KHR, of Class A)	256	307	333	-
Price	5,300	5,140	7,680	9,580
Valuation ratios				
P/E (x)	6.54	4.93	4.83	5.56
P/B (x)	0.21	0.20	0.28	0.35
P/B*(x, excluding Class C)	0.75	0.64	0.83	1.04
EV/EBITDA (x)	5.85	4.21	3.57	3.77
P/S (x)	1.66	1.39	1.90	2.36
Dividend yield on end-period close (% of Class A)	4.83	5.97	4.33	0.00
Dividend yield on IPO price (% of Class A)	5.00	6.00	6.50	-
Dividend payout (% of Class A)**	31.60	29.43	20.91	-
Dividend payout (%)	20.16	16.20	11.83	-
Profitability ratios				
EBITDA margin (%)	51.6	54.8	57.0	60.0
EBIT (%)	37.0	39.4	42.7	46.3
Net margin (%)	25.4	28.3	39.3	40.1
ROE (%)	3.2	4.1	5.9	6.0
ROE* (% of Class C)	11.8	13.9	18.5	16.4
ROA (%)	2.6	3.2	4.6	4.5
Efficiency ratios				
Asset turnover (x)	0.10	0.11	0.12	0.12
Receivables turnover (x)	8.3	8.2	8.6	6.71
Financial strength				
Debt/equity (%)	26.6	25.9	32.8	32.7
Net debt/equity (%)	17.2	12.9	2.1	0.4
Interest coverage (x)	4.7	5.9	7.6	7.2
Inter & ST debt cover (x)	4.7	2.2	2.7	7.2
Current ratio (x)	3.5	2.9	4.8	6.8
Quick ratio (x)	3.5	2.9	4.8	6.8
Net debt/EBITDA (x)	2.6	1.7	0.2	0.0

EPS = Earnings Per Share; BPS = Book value Per Share; SPS = Sales Per Share; DPS = Dividend Per Share
 *Excluding capital of Class C shares that are wholly held by the government; **DPS to Class A shares divided by EPS;
 ***TTM = 3Q18-2Q19

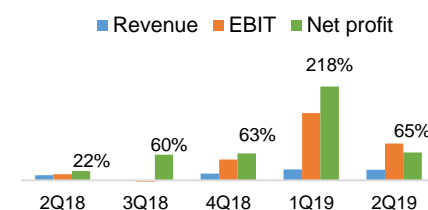
Quarterly revenue (KHR'bn)



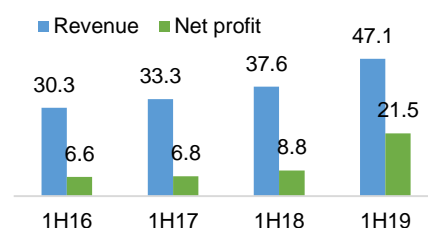
Quarterly profit margin



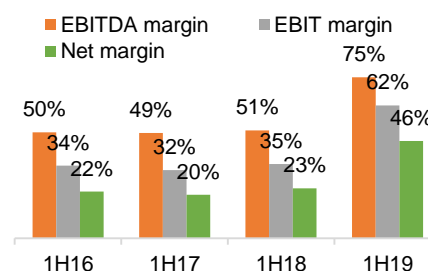
Quarterly revenue & profit growth (YoY)



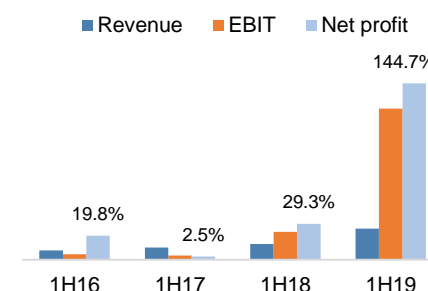
Six-month revenue & net profit (KHR'bn)



Six-month profit margin



Six-month profit growth (YoY)



Condensed Financial Statements

Statement of comprehensive income					
FY to Dec (KHR'bn)	2015	2016	2017	2018	1H19
Revenues	61.5	66.1	76.3	83.8	47.1
Operating costs	-31.1	-35.9	-36.9	-41.9	-22.6
Other income	1.5	3.9	2.4	5.9	11.0
EBITDA	31.8	34.1	41.8	47.8	35.6
Depreciation & Amortization	-9.4	-9.6	-11.7	-12.0	-6.2
EBIT	22.4	24.4	30.1	35.8	29.4
Finance costs	-4.7	-5.2	-5.1	-4.7	-3.3
PBT	17.7	19.3	25.0	31.1	26.1
Income tax expense	-4.8	-2.7	-3.3	1.7	-4.5
Net profit of period	12.9	16.6	21.7	32.8	21.5
Re-measurements of defined benefit liability	0.0	0.2	-0.1	0.1	0.0
Comprehensive income	12.9	16.8	21.6	32.9	21.5

Statement of cash flow					
FY to Dec (KHR'bn)	2015	2016	2017	2018	1H19
Operating cash flow	19.4	27.2	40.4	98.6	17.2
Net profit	12.9	16.6	21.7	32.8	26.1
Depreciation & amortization	9.4	9.6	11.7	12.0	6.2
Change in working capital	-5.1	0.4	0.4	-0.9	-6.4
Others	2.2	0.6	6.6	54.8	-8.7
Investing cash flow	-6.7	-33.1	-12.9	-80.1	-4.7
Net CAPEX	-6.7	-33.1	-12.3	-32.5	-3.2
Others	0.0	0.0	-0.6	-47.6	-1.6
Financing cash flow	15.4	-2.2	-8.0	-16.5	-11.2
Net change in share capital	17.4	0.0	0.0	0.0	0.0
Net change in debt	0.0	0.0	0.0	-8.4	-4.2
Cash dividend	-2.0	-2.2	-3.3	-3.5	-3.9
Net change in cash & equivalent	28.1	-8.1	19.5	2.1	1.3
Beginning cash & equivalent	7.4	35.4	15.1	34.5	36.1
Ending cash & equivalent	35.5	27.3	34.5	36.1	37.9

Source: The Company, YSC Research

Statement of financial position (end of period)					
FY to Dec (KHR'bn)	2015	2016	2017	2018	1H19
Non-current assets	600.6	620.5	621.0	642.7	664.7
Properties, plants & equipment	568.5	586.0	586.8	296.6	297.0
Investment properties	32.1	34.5	34.2	341.6	345.7
Other non-current assets	0.0	0.0	0.0	4.5	22.0
Current assets	47.3	39.1	59.5	109.2	120.9
Trade receivables	11.8	11.8	12.1	12.7	17.8
Cash & cash equivalent	35.5	27.3	47.3	96.4	102.9
Total assets	647.9	659.6	680.5	751.9	785.6
Non-current liabilities	124.2	127.1	119.4	162.9	175.9
Long-term debts	117.7	117.0	108.6	99.8	101.0
Other non-current liabilities	6.5	10.1	10.8	63.1	74.9
Current liabilities	10.3	11.3	20.8	22.6	17.8
Trade & other payables	7.7	9.3	10.1	10.8	9.4
Other current liabilities	2.6	2.0	10.6	11.7	8.4
Total liabilities	134.5	138.4	140.2	185.5	193.6
Shareholders' equity	513.4	521.1	540.3	566.4	592.0
Share capital	447.9	457.8	457.8	457.8	457.8
Reserves	3.5	4.8	6.4	75.0	104.3
Development fund	31.8	40.9	49.9	0.0	0.0
Retained earnings	12.8	12.8	21.3	31.1	21.5
Other capital	17.4	4.9	4.9	2.5	8.4
Total liabilities & equity	647.9	659.6	680.5	751.9	785.6

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