

PPAP (KH100040001CSX)

December 07, 2018

Performance Highlights

FY ends Dec (KHR'bn)	3Q18	% QoQ	% YoY	1~3Q18	% YoY
Revenue	24.0	27.3%	1.2%	61.6	8.0%
EBITDA	14.7	62.9%	-1.9%	33.8	7.3%
EBIT	11.7	93.5%	-2.6%	24.8	9.3%
Finance cost	-1.2	-0.9%	0.6%	-3.5	-5.0%
PBT	10.5	117.3%	-3.0%	21.3	12.1%
Net profit	15.4	265.3%	60.0%	24.2	47.3%
EBITDA margin	61.3%	13.4%pt	-1.9%pt	54.8%	-0.3%pt
EBIT margin	48.8%	16.7%pt	-1.9%pt	40.3%	0.5%pt
Net margin	64.1%	41.8%pt	23.5%pt	39.3%	10.5%pt

Source: The Company, YSC Research

3Q18 review: Net profit jumps 60% YoY on deferred tax income

Container throughputs see single-digit YoY growth for first time in seven quarters

- Container throughputs handled by PPAP in 3Q18 increased 7.6% YoY (+30% QoQ) to 64,039 TEUs, seeing a single-digit YoY growth for the first time in the last seven quarters. Total container cargoes volume dropped 3.7% YoY (+24.9% QoQ), as container cargoes for imports fell 6.1% compared to the same period last year. According to the company's report filing on the CSX, this was mainly due to 13% YoY decrease in imports of construction materials and 47% YoY decline in imports of raw materials for the garment industry. While container cargoes volume dropped, general cargoes volume jumped nearly 70% YoY to 182,946 tonnes.
- However, with strong growth in 1H18, the first nine months of 2018 saw container throughputs grow 14.0% YoY to 158,781 TEUs, with container cargoes volume edging up 2% compared to the same period in 2017. Meanwhile, general and oil & gas cargoes volume rose 40.0% YoY and 8.0% YoY, respectively, reaching 555,837 tonnes and 574,191 tonnes between January and September.

Top line posts modest growth of 1.2% YoY in 3Q18; other income more than doubles

- With cargo traffic growth slowing down, so was the company's top-line. Revenue in 3Q18 came to KHR24.0bn, edging up only 1.2% from KHR23.7bn in 3Q17. Two of PPAP's three main sources of revenue, stevedoring and port services, continue to increase solidly by 8.3% and 7.5% YoY to KHR10.5bn and KHR3.6bn, respectively. However, lift-on lift-off (LOLO), the second largest revenue source that contributed 36% to the top line, fell slightly down 0.2% YoY to KHR8.7bn. Meanwhile, income from other business activities, which altogether constituted no more than 6% of revenue, saw sharp drop. Income from storage service fell 48.2% YoY to KHR321mn, while income from sand dredging service more than halved to KHR14mn. Others (including survey revenue) declined nearly 30% YoY to KHR985mn.
- Despite core business revenue seeing a modest growth, other non-operating income (financial and rental income) more than doubled to KHR1.45bn in 3Q18 from KHR0.64bn in 3Q17. This was thanks to additional rental income PPAP received from leasing its land to Chean Choeng Thai Group (subsidiary of YUETAI Group), and an additional interest income the port operator received from its deposit of the upfront leasing income of \$15mn (about KHR60bn) at Foreign Trade Bank (20-year fixed deposits with an interest rate of 7.75% p.a.). Both the leasing and interest income could be expected to add about KHR5.85bn every year to the company's non-operating income.
- In the first nine months of the year, revenue reached KHR61.6bn, up 8.0% compared the same period in 2017. Meanwhile, for the same reason mentioned above, other income surged 78.6% YoY to almost KHR3.2bn.

Operating profit in first nine months grows solidly despite slight decrease in 3Q18

- EBITDA and EBIT felt slightly, down 1.9% YoY and 2.6% YoY to KHR14.7bn and KHR11.7bn, respectively. While revenue and other income increased by KHR1,106mn, operating expenses rose by KHR1,385mn or 14.8% YoY, driven mainly by 115% YoY jump in repair and maintenance costs, 92% YoY surge in fuel and gasoline expenses, and 10.5% YoY increase in personnel expenses.
- Between January and September, EBITDA came to KHR33.8bn (+7.3% YoY), while EBIT reached KHR24.8bn (+9.3% YoY). The solid increase in operating profits can be attributed to the significant growth in revenue, rental income and interest income.

Bottom line jumps 60.0% YoY on deferred tax income

- With financing cost edging up 0.6% YoY, pre-tax profit dropped 3.0% YoY to KHR10.5bn in 3Q18. However, profit after tax jumped 60.0% YoY, reaching an all-time high of KHR15.4bn in the third quarter. This was due to tax expenses switching sign as a result of substantial deferred tax income related to the origination of temporary difference, occurred as PPAP received \$15mn upfront leasing income from YUETAI Group.

Current mkt. price	KHR 6,500
IPO price	KHR 5,120

Source: CSX, YSC Research

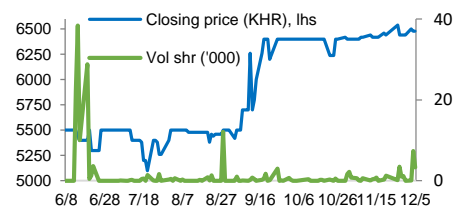
Stock info

Industry	Transport Support Services
Market cap (KHRbn)	134.45
Outstanding shares (mn)	20.7
Majority shareholder	Ministry of Economy & Fin (%) 80
Avg daily vol. (last 6 months, shr)	1,493
Free floating shares (last 6 months, %)	0.86
Price low/high (last 6 months, KHR)	5,100~6,540

EPS (KHR) (ttm)	1,420
P/E (x) (ttm)	4.58
P/B (x) (mrq)	0.24
P/B* (x) (mrq)	0.70
EV/EBITDA (x) (ttm)	3.47
D/E (%) (mrq)	33.3

Note: ttm = trailing twelve months (4Q17~3Q18); mrq = most recent quarter (3Q18); *Excluding equity of Class C (non-voting) shares.

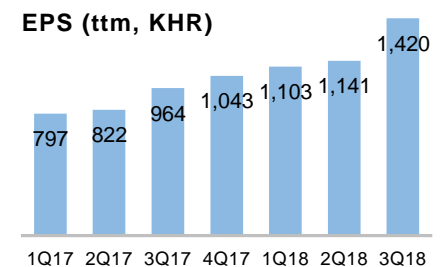
Stock performance



Trading volume and value in 2018

	Monthly trading		Average per day	
	Volume (shr)	Value (KHR'mn)	Volume (shr)	Value (KHR'mn)
Jan	19,049	97	952	4.8
Feb	82,035	425	4,102	21.3
Mar	36,915	196	1,758	9.4
Apr	92,855	482	5,159	26.8
May	7,013	38	413	2.2
Jun	104,953	560	5,524	29.5
Jul	4,963	26	236	1.2
Aug	16,057	88	698	3.8
Sep	8,054	50	424	2.6
Oct	4,184	27	246	1.6
Nov	13,429	86	746	4.8
Dec	-	-	-	-

Earning strength



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Container throughputs

Container throughputs (TEU)	3Q17	% QoQ	% YoY	1~3Q17	% YoY
Total	64,039	30.9%	7.6%	158,781	14.0%

Source: The Company

Container, general, and oil cargoes

Cargoes (Ton)	3Q18	% QoQ	% YoY	1~3Q18	% YoY
Container	460,413	24.9%	-3.7%	1,167,049	2.0%
General	182,946	-9.8%	69.8%	555,837	40.0%
Oil & gas	171,849	-14.2%	3.1%	574,191	8.0%
Total	815,208	5.6%	8.4%	2,297,076	10.8%

Source: The Company

Container cargoes by import and export

Cargoes (Ton)	3Q18	% QoQ	% YoY	1~3Q18	% YoY
Import	300,274	17.9%	-6.1%	753,558	0.8%
Export	160,140	40.6%	1.4%	413,492	4.4%
Total	460,414	24.9%	-3.7%	1,167,050	2.0%

Source: The Company

Breakdown of quarterly revenue

Source of revenue	3Q18	% QoQ	% YoY	1~3Q18	% YoY
Stevedoring	10,462	31.9%	8.3%	26,263	11.5%
LOLO	8,656	26.7%	-0.2%	21,814	8.8%
Port services	3,599	24.9%	7.5%	9,880	7.0%
Storage	321	-19.9%	-48.2%	1,070	-16.3%
Sand dredging	14	-81.7%	-67.6%	127	-18.6%
Others	985	28.3%	-29.4%	2,458	-11.9%
Revenue	24,037	27.3%	1.2%	61,613	8.0%

Source: The Company

Financial Ratios

Financial Ratios					
FY end to Dec	2014	2015	2016	2017	3Q18(ttm)
Valuation ratios, on December 7, 2018					
P/E (x)	15.88	10.39	8.02	6.23	4.58
P/B (x)	0.28	0.26	0.26	0.25	0.24
P/B (x, excluding Class C)	1.25	0.97	0.92	0.81	0.70
EV/EBITDA (x)	5.95	4.81	4.49	3.66	3.47
P/S (x)	2.50	2.19	2.04	1.76	1.66
Dividend yields** (%)	-	0.00	4.65	4.76	-
Dividend payout (%)	23.08	16.76	31.60	29.43	-
Profitability ratios					
EBITDA margin (%)	48.0	51.7	51.6	54.8	54.6
EBIT (%)	30.8	36.5	37.0	39.4	39.8
Net margin (%)	15.8	21.1	25.4	28.3	36.4
ROE (%)	1.8	2.6	3.2	4.1	5.2
ROE*** (% , ex. Class C)	8.3	10.5	11.8	13.9	15.2
ROA (%)	1.4	2.1	2.6	3.2	3.9
Efficiency ratios					
Asset turnover (x)	0.09	0.10	0.10	0.11	0.11
Receivables turnover (x)	8.1	10.1	8.3	8.2	15.14
Payable turnover (x)	NA	NA	NA	NA	NA
Financial strength					
Debt/equity (%)	27.1	26.2	26.6	25.9	33.3
Net debt/equity (%)	22.7	16.0	17.2	12.9	3.3
Interest coverage (x)	3.2	4.8	4.7	5.9	6.6
Inter & ST debt cover (x)	3.2	4.8	4.7	2.2	6.6
Current ratio (x)	1.6	4.6	3.5	2.9	7.0
Quick ratio (x)	1.6	4.6	3.5	2.9	7.0
Net debt/EBITDA (x)	4.3	2.6	2.6	1.7	0.4

Note: ROE= return on average equity; ROA = return on average assets;

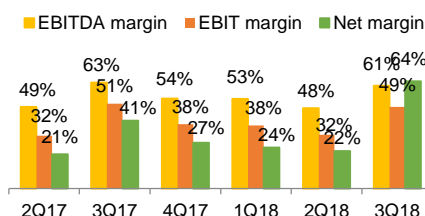
** Dividend yield for holders of Class A (voting) shares; *** Excluding equity of Class C (non-voting) shares;

Source: The Company, YSC Research

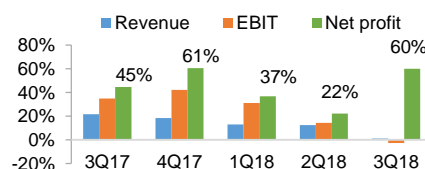
Quarterly revenue (KHR'bn)



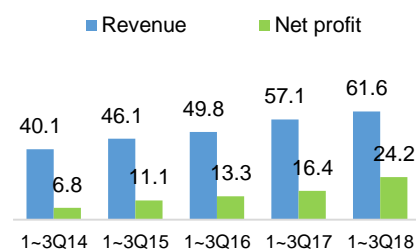
Quarterly profit margin



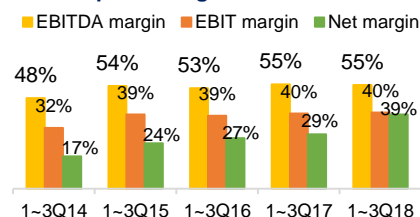
Quarterly revenue and profit growth (YoY)



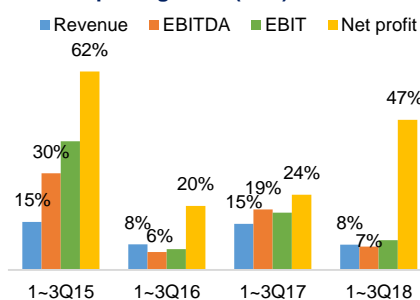
9-month revenue and net profit (KHR'bn)



9-month profit margin



9-month profit growth (YoY)



Condensed Financial Statements

Statement of comprehensive income					
FY to Dec (KHR'bn)	2014	2015	2016	2017	1~3Q18
Revenues	53.7	61.5	66.1	76.3	61.6
Operating costs	-29.2	-31.1	-35.9	-36.9	-31.0
Other income	1.2	1.5	3.9	2.4	3.2
EBITDA	25.7	31.8	34.1	41.8	33.8
Depreciation & Amortization	-9.2	-9.4	-9.6	-11.7	-8.9
EBIT	16.5	22.4	24.4	30.1	24.8
Finance costs	-5.2	-4.7	-5.2	-5.1	-3.5
PBT	11.3	17.7	19.3	25.0	21.3
Income tax expense	-2.7	-4.8	-2.7	-3.3	2.9
Net profit of period	8.7	12.9	16.6	21.7	24.2
Re-measurements of defined benefit liability	-0.2	0.0	0.2	-0.1	0.0
Comprehensive income	8.5	12.9	16.8	21.6	24.2

Statement of cash flow					
FY to Dec (KHR'bn)	2014	2015	2016	2017	1~3Q18
Operating cash flow	21.7	19.4	27.2	35.7	81.1
Net profit	8.7	12.9	16.6	21.7	24.2
Depreciation & amortization	9.2	9.4	9.6	11.7	8.9
Change in working capital	2.2	-5.1	0.4	0.4	60.1
Others	1.6	2.2	0.6	1.9	-12.1
Investing cash flow	-3.6	-6.7	-33.1	-12.3	-26.3
Net CAPEX	-3.6	-6.7	-33.1	-12.3	-26.3
Others	0.0	0.0	0.0	0.0	0.0
Financing cash flow	1.6	15.4	-2.2	-3.3	-91.7
Net change in share capital	3.6	17.4	0.0	0.0	0.0
Net change in debt	0.0	0.0	0.0	0.0	-8.4
Cash dividend	-2.0	-2.0	-2.2	-3.3	-3.5
Net change in cash & equivalent	19.7	28.1	-8.1	20.1	-36.9
Beginning cash & equivalent	-12.3	7.4	35.5	27.3	47.3
Ending cash & equivalent	7.4	35.5	27.4	47.3	11.4

Source: The Company, YSC Research

Statement of financial position					
FY to Dec (KHR'bn)	2014	2015	2016	2017	3Q18
Non-current assets	600.1	600.6	620.5	621.0	650.5
Properties, plants & equipment	568.4	568.5	586.0	586.8	298.1
Investment properties	31.7	32.1	34.5	34.2	347.1
Other non-current assets	0.0	0.0	0.0	0.0	5.3
Current assets	12.9	47.3	39.1	59.5	107.4
Trade receivables	5.6	11.8	11.8	12.1	16.2
Cash & cash equivalent	7.4	35.5	27.3	47.3	91.2
Total assets	613.0	647.9	659.6	680.5	757.9
Non-current liabilities	122.7	124.2	127.1	119.4	174.0
Long-term debts	117.0	117.7	117.0	108.6	109.8
Other non-current liabilities	5.7	6.5	10.1	10.8	64.1
Current liabilities	7.9	10.3	11.3	20.8	15.4
Trade & other payables	6.6	7.7	9.3	10.1	12.1
Other current liabilities	1.3	2.6	2.0	10.6	3.4
Total liabilities	130.6	134.5	138.4	140.2	189.4
Shareholders' equity	482.4	513.4	521.1	540.3	568.5
Share capital	108.1	447.9	457.8	457.8	457.8
Reserves	2.8	3.5	4.8	6.4	76.2
Development fund	25.6	31.8	40.9	49.9	0.0
Retained earnings	345.9	12.8	12.8	21.3	24.2
Other capital	0.0	17.4	4.9	4.9	10.2
Total liabilities & equity	613.0	647.9	659.6	680.5	757.9

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