

# Int'l Container Terminal Svcs (ICT PM) Steady sailing

# Expect steady volumes/yields; maintain BUY

ICT's 1H23 net income of USD313.8m (+6.6% YoY) is equivalent to 55% of our FY23 forecast and is within expectation as we expect the USD50m impairment losses in its Sudan receivables to be booked in 4Q23. We cut our FY23/24 earnings forecasts by 4.3%/4.7% to account for write-off of goodwill and lower volumes from the discontinued Pakistan port (PICT), partly offset by incremental income from Durban, South Africa (DCT). Maintain BUY and TP of PHP234 as the healthy volume growth in Asia and Americas, positive trends in EMEA and sustainable yields of c.USD180/TEU should enable the stock to re-rate.

# Asia growth healthy, EMEA still a drag

The 9.1% YoY increase in 1H23 volume was due to the consolidation of MNHPI in Sep 2022, which was partially offset by the cessation of port handling in PICT, MTS and DIPSSCOR in between 4Q22 and 2Q23. Asia and Americas, which account for 79% of total volume, posted volume growths of 19.4% and 2.5% YoY, while volumes of EMEA (21% of total) declined by 3.3% YoY due to the weakness of BCT and ACGT, and cessation of PICT. Excluding MNHPI, DIPSSCOR, MTS and PICT, consolidated organic volume growth was only at 1% YoY. Nevertheless, ICT indicated that it saw more positive volume trends in Jul-Aug, which should make our 5% YoY FY23 port revenue growth forecast achievable.

# Capex reached USD152m, USD400m guidance intact

Capex reached USD152m in 6M23, which mainly went to the expansions in CMSA, VICT, MICT and IDRC. This is 38% of ICT's USD400m guidance for FY23 as we expect catch-up spending on VICT and paying the upfront fees on DCT in 2H23. Cash opex grew by 15% YoY due to costs from MNHPI and ICT's new businesses under ICTSI Rio. Even so, ICT's EBITDA margin was within our estimate, at 62.6%.

# DCT to be a new growth driver

In Jul, ICT was selected as the preferred bidder for a JV with Transnet to develop and upgrade the flagship DCT Pier 2, which has a capacity of 1.6m TEUs (c.8% of ICT's total handling capacity). Details of ICT's upfront fees and capex commitments for the port capacity upgrade have not yet been released. We expect the DCT JV to be executed by 2H24 and forecast additional equity income of USD36m/USD81m for FY24/25E.

FYE Dec (USD m)	FY21A	FY22A	FY23E	FY24E	FY25E
Revenue	1,865	2,243	2,358	2,433	2,534
EBITDA	1,139	1,409	1,443	1,467	1,508
Core net profit	443	591	620	617	651
Core EPS (cts)	22.1	29.0	30.4	30.2	31.9
Core EPS growth (%)	57.0	30.9	4.9	(0.5)	5.5
Net DPS (cts)	10.3	11.4	20.3	21.3	21.2
Core P/E (x)	17.7	12.4	12.0	12.1	11.4
P/BV (x)	5.2	4.2	4.3	3.9	3.6
Net dividend yield (%)	2.6	3.2	5.6	5.8	5.8
ROAE (%)	77.1	85.3	57.5	56.3	51.6
ROAA (%)	7.1	8.9	8.5	8.4	8.9
EV/EBITDA (x)	9.0	7.1	7.0	6.8	6.6
Net gearing (%) (incl perps)	98.8	94.5	87.6	76.3	64.1
Consensus net profit	-	-	618	668	719
MIBG vs. Consensus (%)	-	-	0.3	(7.5)	(9.5)

Rachelleen Rodriguez, CFA rachelleen.rodriguez@maybank.com (63) 2 8849 8843

# BUY

Share Price PHP 208.00

12m Price Target PHP 234.00 (+15%)

Previous Price Target PHP 234.00

#### **Company Description**

ICT is a global port management company with established operations in both emerging and developed markets.

#### **Statistics**

52w high/low (PHP)	221.60/156.60
3m avg turnover (USDm)	3.1
Free float (%)	51.2
Issued shares (m)	2,001
Market capitalisation	PHP416.3B
	USD7.3B

#### Major shareholders:

Bravo International Port Holdings, Inc.	24.8%
RAZON ENRIQUE KLAR JR	12.7%
Razon Group	10.9%

#### Price Performance



——ICT - (LHS, PHP) ——ICT / PSEi Philippine SE Index - (RHS, %)

	-1M	-3M	-12M
Absolute (%)	2	(0)	15
Relative to index (%)	(2)	1	6

Source: FactSet

Acronyms used:

ACGT - Brajdica Container Terminal, Rijeka, Croatia BCT - Baltic Container Terminal, Gdynia, Poland

CMSA - Port of Manzanillo, Manzanillo, Mexico

DCT - Durban Container Terminal DIPSSCOR - Sasa Wharf, Port of Davao

IDRC - Matadi Gateway Terminal, Mbengu, Matadi, Democratic Republic of Congo

MICT - Manila International Container Terminal

MNHPI - Manila North Harbour Port, Inc. MTS - Makassar Port Container Terminal,

Makassar, South Sulawesi, Indonesia

OJA - Port of Tanjung Priok, Jakarta, Indonesia
PICT - Port of Karachi, Karachi, Pakistan
SBITC - Subic Bay Freeport Zone, Olongano City

**SBITC** - Subic Bay Freeport Zone, Olongapo City, Philippines

**TEU** - Twenty-foot equivalent unit

TSSA - Suape Container Terminal, Suape, Brazil VICT - Victoria International Container Terminal Ltd. YICT - Yantai International Container Terminal, Port of

Yantai, Shandong Province, China

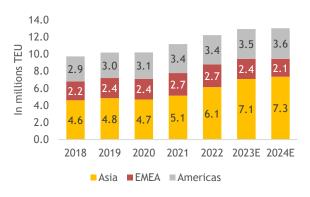


# Maybank Securities

# **Value Proposition**

- ICT is the Philippines' largest port operator, managing 34 terminals across 20 countries. It has a total handling capacity of 21m TEUs.
- Unique strategy focused on acquiring underperforming small and mid-sized terminals in gateway markets with scope for operational improvements. Currently, ICT is on the lookout for acquisition opportunities in Asia and Africa.
- Founder Enrique Razon retains a 61.33% stake and actively manages the company.
- ICT's long-term concession agreements will help capture economic growth of emerging markets where it operates.

#### Volume growth forecasts

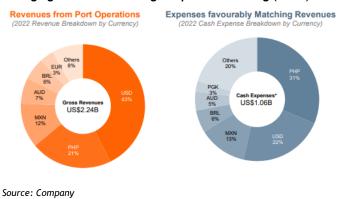


Source: Company

# **Financial Metrics**

- We forecast 5% recurring income growth in FY23E, driven by healthy volumes, but tempered by higher depreciation expense given USD400m FY23 capex guidance.
- Net income to drop by 8.3% as we forecast USD50m in impairment on Sudan receivables
- We forecast yield/TEU to stay in the USD180 given the discontinuance of Davao concession and the lower yield of MNHPI.
- EBITDA margin at 62.8% in FY22. We estimate EBITDA margin to remain in the low 60s in FY23/24E.
- Gross revenue growth from port operations to rise by 5.1%/3.2% FY23/24E, slower than the growth seen in FY22 at 20.3%, given the high base in yields following the 8% tariff hike at MICT.

#### Managing forex risks through expense matching (FY22)



# **Price Drivers**



Source: Company, Maybank IBG Research

- 1. Declared the preferred bidder to operate, manage, and develop the Sudan Port Container Terminal (Jul. 2018).
- 2. Declared the preferred bidder for the concession to operate the Port of Kribi in Cameroon (June 2019).
- Received remittance letter from the Sudanese government as partial repayment of the upfront fee amounting to EUR195.2m (Aug. 2019).
- 4. Started commercial operations at the Multi-purpose Terminal of the Port of Kribi in Cameroon (Oct. 2020).
- 5. ICT acquires majority ownership in a multi-purpose terminal in East Java, Indonesia (Jul. 2022).

# **Swing Factors**

# Upside

- Strategic acquisition in emerging markets and increasing efficiency at existing terminals.
- Earlier-than-expected closing of the joint venture deal to operate DCT.

#### Downside

- Economic and political instability in markets where it operates.
- Foreign-exchange translation risk due to currency fluctuations of PHP, MXN, BRL, and its other international operations against the USD, ICT's functional and presentation currency.
- Possibility of non-collection of remaining receivable from the Sudanese government amounting to EUR187.8m.

rachelleen.rodriguez@maybank.com





rachelleen.rodriguez@maybank.com

Risk Rating & Score <sup>1</sup>	Low Risk - 16.5
Score Momentum <sup>2</sup>	+0.2
Last Updated	26 Jun 2023
Controversy Score <sup>3</sup> (Updated: 25 Jun 2023)	2

# **Business Model & Industry Issues**

- ICT commits to support communities and sectors towards the accomplishment of the United Nations Sustainable Development Goals. ICT's CSR activities focus on three pillars, education, sports, and community welfare.
- ICT launched an annual sustainability report in 2017, which then focused on its flagship port, MICT.
- ICT has a dedicated IR team, and has been boosting their efforts to increase transparency and visibility through independent quarterly investor briefings, with international dial-in facilities for its foreign investors.
  ICT doesn't have any females on its board so it could improve the diversity of the BOD. Diversity could also be improved in ICT's senior management (regional heads), as only 2 out of the 9 members are women.

#### Material E issues

- ICT adheres to best practices and international standards (ISO 14001 and World Bank and/or IFC guidelines for ports and terminals) and ensures full compliance with local environmental laws and regulations.
- To date, there are 46 hybrid RTGs across the ICT Group.
   Acquisition of more hybrids is in the pipeline as part of the effort of ICT to turn its terminals into a more sustainable operation. This should reduce carbon emissions by over 50%.
- In two terminals, strategic biodiversity measures include reforestation in one of Ecuador's largest mangrove areas, and an ongoing forest replanting effort in Colombia. ICT Foundation partnered with the Ramon Aboitiz Foundation, Inc. for a tree-growing project in Batangas which aims to plant and nurture 45,000 native trees in a 56-hectare area for three years.
- ICTSI Yantai (YICT) in China completed an on-site wastewater treatment facility to recycle wastewater from reefer container pre-trip inspections and facilitate proper disposal of sewage sludge. This initiative will reduce tap water consumption by around 5000 m³ and sewerage discharge by 8,400 m³ annually.

# Material S issues

- ICT employs 10,905 staff across 30 terminals, 10.2% or 1,110 of whom are women.
- ICT retro-fitted the Rizal Memorial Sport Complex in Manila into a Covid-19 emergency facility, along with donating personal protective equipment, ventilators and test kits to local hospitals.
- Through the ICT Foundation, the company donated USD20k to the Lapalala Wilderness School in South Africa.
- ICT and Bloomberry spearheaded the largest combined National Government, Local Government, and private sector vaccination procurement programme for Moderna mRNA vaccines.

# Key G metrics and issues

- ICT's board of directors has 7 members, one executive director (Enrique K. Razon, Jr., Chairman and President), 3 independent directors, and 3 non-executive directors. Though Mr. Razon holds the Chairman and President position, this is not an uncommon practice among Philippine corporates. ICT has a Corporate Governance Committee, Audit Committee, and Related Party Transactions committee, which serve as a check and balance. All directors are men.
- All of ICT's related party transactions (RPT; 1.2% of net receivables) are done at arm's length basis and this is ensured by the company's dedicated RPT committee, which is chaired by Cesar A. Buenaventura, an independent director. The percentage of revenues from RPTs are not disclosed.
- Majority of the BOD are aged 65 and above. Nevertheless, the BOD has identified a succession plan and retirement policy for directors and key officers.
- The aggregate compensation paid to the Chairman of the BOD and four highest paid executive officers amounted to USD3.7m in 2022, 0.6% of total profits.
- ICT achieved a new and significant milestone in its sustainability journey by launching the inaugural Edify Awards on Jul 2022 to recognize sustainability champions across the Group.
- MICT, ICT's flagship, received the ASPN Green Port Award, upholding its commitment towards a more sustainable port operation in the Philippines
- SGV & Co, the local partner of Ernst and Young, is the auditor of ICT and has been the auditor of ICT for over 10 years.

1Risk Rating & Score - derived by Sustainalytics and assesses the company's exposure to unmanaged ESG risks. Scores range between 0 - 50 in order of increasing severity with low/high scores & ratings representing negligible/significant risk to the company's enterprise value, respectively, from ESG-driven financial impacts. 2Score Momentum - indicates changes to the company's score since the last update - a negative integer indicates a company's improving risk score; a positive integer indicates a deterioration. 3Controversy Score - reported periodically by Sustainalytics in the event of material ESG-related incident(s), with the impact severity scores of these events ranging from Category 0-5 (0 - no reports; 1 - negligible risks; ...; 5 - poses serious risks & indicative of potential structural deficiencies at the company).





	Quantitative Parameters (Score: 50)									
	Particulars	Unit	2019	2020	2021	AMKBY				
	Scope 1*	k tCO2e	81.2	108.4	134.1	35,863				
	Scope 2*	k tCO2e	63.1	170.9	133.5	310				
	Total	k tCO2e	144.3	279.3	267.6	36,173				
	Scope 3	k tCO2e	NA	NA	NA	28,952				
	Total	k tCO2e	144.3	279.3	267.6	65,125				
E		mtCO2e/k								
-	Scope 1 emission intensity	moves	9.0	10.0	9.0	NA				
		MJ/total								
	Energy intensity	moves	98	90	92	NA				
	Green energy share of power usage	%	NA	NA	NA	NA				
	Average water consumption/ terminal	ML	NA	34	31	27				
	Total waste	tonnes	5,194	11,676	3,545	339,000				
*20	19 Scope 1 & 2only includes data from 8 terminals, 2020 from 24	terminals, and 2021 fr	om 30 terminals.							
	% of women in workforce	%	8.4%	9.2%	10.6%	31%				
S	% of women in management roles	%	37%	30.6%	30.4%	22%				
2	Lost time injury frequency rate	%	2.71	4.15	4.62	0.93				
	Employee turnover	%	<b>9</b> %	<b>9</b> %	8%	NA				
	CEO and top officers salary as % of net profit	%	1.9%	1.9%	0.6%	NA				
G	All other officers salary as % of profit	%	7.2%	7.2%	2.2%	NA				
G	Independent director tenure <10 years	%	28.6%	28.6%	42.9%	NA				
	Women directors on board	%	0%	0%	0%	33%				

#### Qualitative Parameters (Score: 50)

- a) Is there an ESG policy in place and is there a standalone ESG Committee or is it part of the Risk committee? Yes, ICT created a board-level ESG Committee in 2020.
- b) Is the senior management salary linked to fulfilling ESG targets? *No*
- c) Does the company follow TCFD framework for ESG reporting?

Not yet, but ICT is prioritizing having a climate change impact assessment on their terminals.

d) Does the company have a mechanism to capture Scope 3 emissions - which parameters are captured?

Not yet, but ICT is taking steps to quantify Scope 3 emissions to be able to create a credible decarbonization strategy.

- e) What are the 2-3 key carbon mitigation/water/waste management strategies adopted by the company?
- ICT pioneered a financially sustainable river waste collection system in Manila. ICT's terminals are equipped with waste management targets and policies (i.e. the Manila port targets to recycle 25% of their waste). For fuel efficiency, ICT also uses environmentally friendly RTGs, which is now at 32, with ICT looking to add 8 more. Lastly, ICT is also involved in mangrove restoration and reforestation initiatives.
- f) Does carbon offset form part of the net zero/carbon neutrality target of the company?

In line with ICT's purpose and values, it continues to carefully plan its decarbonization strategies, which include establishing targets towards achieving a net-zero future.

Target (Score: 60)		
Particulars	Target	Achieved
Reduce Scope 1 and 2 emissions	NA	NA
Net zero carbon target	Net Zero	NA
Zero terminal service-related incidents	Zero	NA
Raise customer satisfaction rating	4.35	4.71
Recycle more solid waste/rain water	NA	NA
Raise use of renewable energy sources	NA	NA
Impact		
NA		
Overall Score: 53		
As per our ESG matrix, International Container Terminal Services, Inc. (ICT PM)	has an overall score of 53.	

ESG score	Weights	Scores	Final Score
Quantitative	50%	50	25
Qualitative	25%	50	13
Target	25%	60	15
Total			53

ICT has an established framework, internal policies and tangible targets. ICT is now able to track carbon emissions from 30 of its terminals from just 24 in the past year. It aims to fully capture data on emissions for all ports for 2022. Key areas for improvement include employee and board member diversity.



# 1. 1H23 core net income in line with our forecast

ICT posted 2Q23 net income of USD159.2m, up by 4.6% YoY (+5.8% QoQ), bringing 1H23 net income up by 6.6% YoY to USD313.8m. While 1H23 net income achieved 55.3% of our forecast, we believe this is just in line with our estimate as we expect ICT to book impairment losses for its Sudan receivables in 4Q23. Revenues and EBITDA are in line as well at 50.0% and 49.8%.

Fig 1: 1H23 results vs estimates

USDm	2Q23	2Q22	% YoY	1Q23	% QoQ	1H23	1H22	% YoY	MIBG FY23E	% of FY23E
Revenue from port operations	592.7	534.6	10.9%	572.2	3.6%	1,165.0	1,062.9	9.6%	2,393.8	48.7%
Other revenues	34.3	18.1	90.0%	21.4	60.2%	55.8	32.7	70.3%	47.3	117.9%
Total revenues	627.1	552.7	13.5%	593.7	5.6%	1,220.7	1,095.7	11.4%	2,441.1	50.0%
Operating expenses	(399.2)	(358.6)	11.3%	(384.2)	3.9%	(783.5)	(702.1)	11.6%	(1,639.3)	47.8%
Equity earnings	(0.7)	0.9	<i>-178.9</i> %	-3.3	<i>-77.6</i> %	(4.0)	3.0	-233.1%	0.5	-854.2%
Income before tax	227.1	195.0	16.5%	206.2	10.2%	433.2	396.6	9.2%	802.3	54.0%
Net income Net income attributable to	175.5	165.0	6.4%	172.6	1.7%	348.1	319.8	8.8%	625.8	55.6%
common shareholders	159.2	152.2	4.6%	154.6	3.0%	313.8	294.5	6.6%	567.2	55.3%
EBITDA	374.7	334.3	12.1%	354.2	5.8%	728.9	672.1	8.4%	1,465.0	49.8%
EBITDA margin	63.2%	62.5%		61.9%		62.6%	63.2%		61.2%	

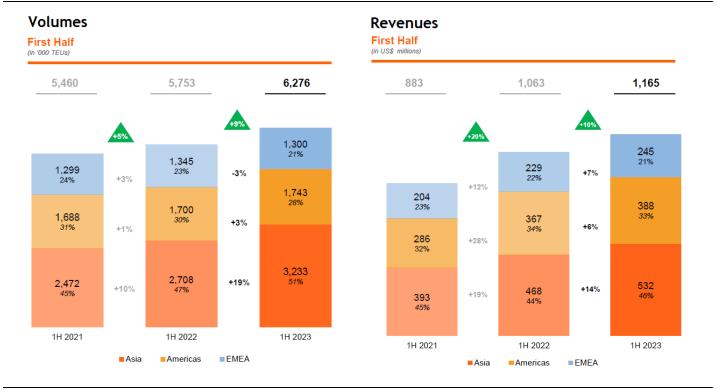
Source: Company, Maybank IBG Research

#### Other 1H23 snippets:

- Revenue from port operations grew by 9.6% YoY, driven by 9.1% YoY volume growth to 6.3m TEUs. The increase in volume was primarily due to the contribution of MNHPI that was consolidated starting Sep 2022, but tempered by cessation of port handling in PICT, MTS, and DIPSSCOR. Excluding these, organic volume growth was only at 1%.
- Volumes grew by 9.1% YoY. Asia and Americas saw 19.4% and 2.5% YoY volume growth while EMEA saw 3.3% decline. Asia volume growth drivers include MNHPI and SBITC but tempered by VICT and YICT and discontinuance of PICT and DIPPSCOR. EMEA saw recovery in ICTSI Iraq, IDRC and MICTSL but slowed by PICT, BCT and AGCT. Lastly, Americas saw healthy growth in ICTSI Rio, TSSA, and CGSA, but tapered by OPC.
- EBITDA grew by 8.4% YoY, with EBITDA margin at 62.6%.
- ICT booked USD10.6m in goodwill impairment attributed to PICT.
- Cash opex grew 15% YoY driven by costs contribution of MNHPI and of new businesses at IRB Logistica; higher manpower and business development expenses and unfavourable forex in certain terminals.
- Capex (exc. borrowing costs) amounted to USD152m, mainly used for ongoing expansion in CMSA, VICT, MICT, and IDRC. Capex guidance for FY23 is USD400m.

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Fig 2: Volume and revenue growth by segment



Source: Company



# 2. Forecast revisions

Fig 3: Summary of forecast changes

Volume (in '000 TEU)	in USDm (except for volume data)	FY23E (old)	FY23E (new)	% Change	FY24E (old)	FY24E (new)	% Change	Remarks
Secontinuance of		2,393.8	2,358.4	(1.5%)	2,611.1	2,534.5	(2.9%)	We adjust our revenue forecast downwards to
Total Income	Valence (in 1999 TEU)	42.250.0	12.0(0.4	(2. 20()	42.450.0	42.040.2	(4 50()	discontinuance of PICT.
Interest income   30,9   30,5   (1.2%)   32.6   30.6   (6.0%)   Equity income from JV   0.5   0.5   0.0%   2.4   2.5   3.4%   We forecast ICT with operations on DCT and record additional equity income of USD36m/USD81m f FY24/25E. We assiss initial volume of 1 in for FY24/25E. We assiss initial volume of 1 in for FY24/25E. We assiss initial volume of 1 in for FY24/25E. We assiss initial volume of 1 in for FY24/25E. We assiss initial volume of 1 in for FY24/25E. We assiss initial volume of 1 in for FY24/25E. We assiss initial volume of 1 in for FY24/25E. We assiss initial volume of 1 in for FY24/25E. We assiss initial volume of 1 in for FY24/25E. We assiss in the average EMI at USD200/TEU.  Total Income   2,441.6   2,405.8   (1.5%)   2,557.6   2,480.4   (3.0%)    Expenses		13,259.8	12,968.1	(2.2%)	13,658.8	13,048.3	(4.5%)	
Equity income from JV   0.5   0.5   0.0%   17.0   17.0   0.0%		30.9	30.5	(1.2%)	32.6	30.6	(6.0%)	
Operations on DCT and record addition equity income of USD36m/USD81 mt FY24/25E. We assu initial volume of 11 for FY24E with yield to the average EMI at USD200/TEU.  Total Income 2,441.6 2,405.8 (1.5%) 2,557.6 2,480.4 (3.0%)  Expenses  Port authorities' share in gross 244.2 240.6 (1.5%) 287.2 278.8 (2.9%) revenues  Manpower costs 342.3 337.3 (1.5%) 391.7 375.1 (4.2%) Equipment and facilities-related 174.7 177.2 (1.5%) 195.8 190.1 (2.9%) expenses  Administrative and other operating 167.6 165.1 (1.5%) 188.0 182.5 (2.9%) expenses  Depreciation and amortization 285.0 285.0 0.0% 298.8 298.8 0.0% charges on borrowings interest expense and financing 166.0 156.0 0.0% 140.6 140.6 0.0% charges on borrowings interest expense on concession 68.1 68.1 0.0% 71.8 71.8 0.0% rights payable interest expense on lease liabilities 117.3 117.3 0.0% 122.0 122.0 0.0% we raise our impair forecast to account write off of goodw PiCT.  Foreign exchange loss Equity in net loss of a joint venture Other expenses 1,639.3 1,635.6 (0.2%) 1728.3 1,692.0 (2.1%) income before income tax 802.3 770.3 (4.0%) 891.7 844.8 (5.3%)  Provision for Income Tax 176.5 169.5 (4.0%) 196.2 185.8 (5.3%)  Net income 625.8 600.8 (4.0%) 695.5 658.9 (5.3%)  Net income 625.8 600.8 (4.0%) 695.5 658.9 (5.3%)  Attributable to:  Equity holders of the parent 567.2 543.1 (4.3%) 661.9 60.3 (2.6%) Distributions to perpetual capital securities								
Total Income	Equity income from JV	0.5	0.5	0.0%	2.4	2.5	3.4%	USD36m/USD81m for FY24/25E. We assumed initial volume of 1m TEUs for FY24E with yields equa to the average EMEA yield
Expenses	Total Income	2,441.6	2,405.8	(1.5%)	2,557.6	2,480.4	(3.0%)	QC 0022007 1201
Port authorities' share in gross	_	=			-			
Manpower costs   342.3   337.3   (1.5%)   391.7   375.1   (4.2%)	Port authorities' share in gross	244.2	240.6	(1.5%)	287.2	278.8	(2.9%)	
Equipment and facilities-related 174.7 172.2 (1.5%) 195.8 190.1 (2.9%) expenses Administrative and other operating 167.6 165.1 (1.5%) 188.0 182.5 (2.9%) expenses Depreciation and amortization 285.0 285.0 0.0% 298.8 298.8 0.0% Interest expense and financing 156.0 156.0 0.0% 140.6 140.6 0.0% charges on borrowings Interest expense on concession 68.1 68.1 0.0% 71.8 71.8 0.0% rights payable Interest expense on lease liabilities 117.3 117.3 0.0% 122.0 122.0 0.0% We raise our impairment loss on goodwill 50.0 60.0 20.0% We raise our impairment loss of a joint venture Other expenses 34.0 34.0 0.0% 34.7 34.7 0.0% Total Expenses 1,639.3 1,635.6 (0.2%) 1,728.3 1,692.0 (2.1%) Income before income tax 802.3 770.3 (4.0%) 891.7 844.8 (5.3%) Provision for Income Tax 176.5 169.5 (4.0%) 196.2 185.8 (5.3%) Attributable to:  Equity holders of the parent 567.2 543.1 (4.3%) 665.3 634.0 (4.7%) Non-controlling interests 58.6 57.7 (1.5%) 61.9 60.3 (2.6%) Distributions to perpetual capital securities		342.3	337 3	(1.5%)	391 7	375 1	(4 2%)	
Administrative and other operating expenses bepreciation and amortization 285.0 285.0 0.0% 298.8 298.8 0.0% Interest expense and financing 156.0 156.0 0.0% 140.6 140.6 0.0% charges on borrowings Interest expense on concession 68.1 68.1 0.0% 71.8 71.8 0.0% rights payable Interest expense on lease liabilities 117.3 117.3 0.0% 122.0 122.0 0.0% We raise our impairment loss on goodwill 50.0 60.0 20.0% We raise our impairment loss on goodwill 50.0 60.0 20.0% 34.7 34.7 0.0% Foreign exchange loss Equity in net loss of a joint venture Other expenses 1,639.3 1,635.6 (0.2%) 1,728.3 1,692.0 (2.1%) Income before income tax 802.3 770.3 (4.0%) 891.7 844.8 (5.3%) Provision for Income Tax 176.5 169.5 (4.0%) 196.2 185.8 (5.3%) Provision for Income Tax 176.5 169.5 (4.0%) 196.2 185.8 (5.3%) Attributable to:  Equity holders of the parent 567.2 543.1 (4.3%) 665.3 634.0 (4.7%) Non-controlling interests 58.6 57.7 (1.5%) 61.9 60.3 (2.6%) Distribution to perpetual capital securities 154.9 (4.5%) 605.7 570.9 (5.7%) perpetual capital securities	Equipment and facilities-related							
Interest expense and financing 156.0 156.0 0.0% 140.6 140.6 0.0% charges on borrowings Interest expense on concession 68.1 68.1 0.0% 71.8 71.8 0.0% rights payable Interest expense on lease liabilities 117.3 117.3 0.0% 122.0 122.0 0.0% We raise our impairment loss on goodwill 50.0 60.0 20.0% We raise our impairment loss of a joint venture Other expenses 34.0 34.0 0.0% 34.7 34.7 0.0% Total Expenses 1,639.3 1,635.6 (0.2%) 1,728.3 1,692.0 (2.1%) Income before income tax 802.3 770.3 (4.0%) 891.7 844.8 (5.3%)  Provision for Income Tax 176.5 169.5 (4.0%) 196.2 185.8 (5.3%)  Net income 625.8 600.8 (4.0%) 695.5 658.9 (5.3%)  Attributable to:  Equity holders of the parent 567.2 543.1 (4.3%) 665.3 634.0 (4.7%) Non-controlling interests 58.6 57.7 (1.5%) 61.9 60.3 (2.6%) Distributions to perpetual capital 28.1 28.1 0.0% 29.3 29.3 0.0% securities  Net income after distribution to 539.1 514.9 (4.5%) 605.7 570.9 (5.7%)	Administrative and other operating	167.6	165.1	(1.5%)	188.0	182.5	(2.9%)	
Charges on borrowings Interest expense on concession of 88.1 68.1 0.0% 71.8 71.8 0.0% rights payable Interest expense on lease liabilities 117.3 117.3 0.0% 122.0 122.0 0.0% We raise our impairment loss on goodwill 50.0 60.0 20.0% We raise our impairment loss on goodwill 50.0 60.0 20.0% We raise our impairment loss of a joint venture Other expenses 34.0 34.0 0.0% 34.7 34.7 0.0% Total Expenses 1,639.3 1,635.6 (0.2%) 1,728.3 1,692.0 (2.1%) Income before income tax 802.3 770.3 (4.0%) 891.7 844.8 (5.3%)  Provision for Income Tax 176.5 169.5 (4.0%) 196.2 185.8 (5.3%)  Net income 625.8 600.8 (4.0%) 695.5 658.9 (5.3%)  Attributable to:  Equity holders of the parent 567.2 543.1 (4.3%) 665.3 634.0 (4.7%) Non-controlling interests 58.6 57.7 (1.5%) 61.9 60.3 (2.6%) Distributions to perpetual capital 28.1 28.1 0.0% 29.3 29.3 0.0% securities  Net income after distribution to 539.1 514.9 (4.5%) 605.7 570.9 (5.7%) perpetual capital securities								
rights payable Interest expense on lease liabilities	charges on borrowings							
Solid   Soli	rights payable							
Foreign exchange loss Equity in net loss of a joint venture Other expenses 34.0 34.0 0.0% 34.7 34.7 0.0%  Total Expenses 1,639.3 1,635.6 (0.2%) 1,728.3 1,692.0 (2.1%) Income before income tax 802.3 770.3 (4.0%) 891.7 844.8 (5.3%)					122.0	122.0	0.0%	We raise our impairment forecast to account for the write off of goodwill from PICT
Other expenses       34.0       34.0       0.0%       34.7       34.7       0.0%         Total Expenses       1,639.3       1,635.6       (0.2%)       1,728.3       1,692.0       (2.1%)         Income before income tax       802.3       770.3       (4.0%)       891.7       844.8       (5.3%)         Provision for Income Tax       176.5       169.5       (4.0%)       196.2       185.8       (5.3%)         Net income       625.8       600.8       (4.0%)       695.5       658.9       (5.3%)         Attributable to:         Equity holders of the parent       567.2       543.1       (4.3%)       665.3       634.0       (4.7%)         Non-controlling interests       58.6       57.7       (1.5%)       61.9       60.3       (2.6%)         Distributions to perpetual capital securities       28.1       28.1       0.0%       29.3       29.3       29.3       0.0%         Net income after distribution to perpetual capital securities          Net income after distribution to perpetual capital securities	Foreign exchange loss							TICT.
Total Expenses 1,639.3 1,635.6 (0.2%) 1,728.3 1,692.0 (2.1%) Income before income tax 802.3 770.3 (4.0%) 891.7 844.8 (5.3%)  Provision for Income Tax 176.5 169.5 (4.0%) 196.2 185.8 (5.3%)  Net income 625.8 600.8 (4.0%) 695.5 658.9 (5.3%)  Attributable to:  Equity holders of the parent 567.2 543.1 (4.3%) 665.3 634.0 (4.7%)  Non-controlling interests 58.6 57.7 (1.5%) 61.9 60.3 (2.6%) Distributions to perpetual capital 28.1 28.1 0.0% 29.3 29.3 0.0%  Securities  Net income after distribution to 539.1 514.9 (4.5%) 605.7 570.9 (5.7%)  perpetual capital securities								
Net income   100								
Provision for Income Tax 176.5 169.5 (4.0%) 196.2 185.8 (5.3%)  Net income 625.8 600.8 (4.0%) 695.5 658.9 (5.3%)  Attributable to:  Equity holders of the parent 567.2 543.1 (4.3%) 665.3 634.0 (4.7%)  Non-controlling interests 58.6 57.7 (1.5%) 61.9 60.3 (2.6%)  Distributions to perpetual capital 28.1 28.1 0.0% 29.3 29.3 0.0%  securities  Net income after distribution to 539.1 514.9 (4.5%) 605.7 570.9 (5.7%)  perpetual capital securities	•			, ,				
Net income 625.8 600.8 (4.0%) 695.5 658.9 (5.3%)  Attributable to:  Equity holders of the parent 567.2 543.1 (4.3%) 665.3 634.0 (4.7%)  Non-controlling interests 58.6 57.7 (1.5%) 61.9 60.3 (2.6%)  Distributions to perpetual capital 28.1 28.1 0.0% 29.3 29.3 0.0%  securities  Net income after distribution to 539.1 514.9 (4.5%) 605.7 570.9 (5.7%)  perpetual capital securities	medite before income tax		770.5	(4.0%)		044.0	(3.370)	
Attributable to:  Equity holders of the parent 567.2 543.1 (4.3%) 665.3 634.0 (4.7%)  Non-controlling interests 58.6 57.7 (1.5%) 61.9 60.3 (2.6%)  Distributions to perpetual capital 28.1 28.1 0.0% 29.3 29.3 0.0%  securities  Net income after distribution to 539.1 514.9 (4.5%) 605.7 570.9 (5.7%)  perpetual capital securities	Provision for Income Tax	176.5	169.5	(4.0%)	196.2	185.8	(5.3%)	
Equity holders of the parent         567.2         543.1         (4.3%)         665.3         634.0         (4.7%)           Non-controlling interests         58.6         57.7         (1.5%)         61.9         60.3         (2.6%)           Distributions to perpetual capital securities         28.1         28.1         0.0%         29.3         29.3         0.0%           Securities         8         539.1         514.9         (4.5%)         605.7         570.9         (5.7%)           perpetual capital securities         605.7         570.9         (5.7%)	Net income	625.8	600.8	(4.0%)	695.5	658.9	(5.3%)	
Non-controlling interests       58.6       57.7       (1.5%)       61.9       60.3       (2.6%)         Distributions to perpetual capital       28.1       28.1       0.0%       29.3       29.3       0.0%         securities         Net income after distribution to perpetual capital securities       539.1       514.9       (4.5%)       605.7       570.9       (5.7%)						-		
Distributions to perpetual capital 28.1 28.1 0.0% 29.3 29.3 0.0% securities  Net income after distribution to 539.1 514.9 (4.5%) 605.7 570.9 (5.7%) perpetual capital securities								
Net income after distribution to 539.1 514.9 (4.5%) 605.7 570.9 (5.7%) perpetual capital securities	Distributions to perpetual capital							
	Net income after distribution to	539.1	514.9	(4.5%)	605.7	570.9	(5.7%)	
EBITDA 1,465.0 1,443.3 (1.5%) 1,513.1 1,467.2 (3.0%)	EBITDA	1,465.0	1,443.3	(1.5%)	1,513.1	1,467.2	(3.0%)	

Source: Maybank IBG Research



# 3. Maintain BUY and TP of PHP234

While we reduced our FY23/24E net income forecasts, our TP of PHP234 is unchanged as we rolled forward our valuation base to mid-2024.

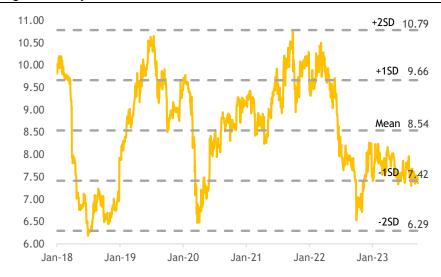
Fig 4: Target price computation

	Old TP	New TP	% Change
Enterprise value (USDm)	558,789.2	562,602.2	0.7%
Net debt	(81,508.1)	(84,407.4)	3.6%
Equity value	477,281.1	478,194.8	0.2%
# of shares (million)	2,041.0	2,041.0	0.0%
PHP/USD	54.00	55.00	1.9%
Equity value per share (PHP)	234.0	234.0	0.0%

Source: Maybank IBG Research

While we acknowledge inflation and global growth concerns are present, we believe ICT will be able to keep its growth story intact given its high yields and majority origin-and-destination business model, with potential further upside from M&A, which we haven't fully factored into our forecasts. We expect ICT to continue posting healthy volume growth in Asia and Americas while EMEA is seen to improve, and yields are expected to stay at the USD180/TEU level. Maintain BUY.

Fig 5: ICT's 5-year EV/EBITDA



Source: Bloomberg

Fig 6: Peer comparison

Name	Ticker	Market Cap (USDm)	BF P/E	BF EV/EBITDA	BF EV/EBIT	BF EV/Rev	LF P/BV
International Container Terminal	ICT PM	7,487	11.50x	7.21x	9.02x	4.56x	5.31x
Gujarat Pipavav Port Ltd	GPPV IN	724	16.44x	9.39x	12.44x	5.23x	2.61x
Qingdao Port International Co	6198 HK	5,241	5.02x	5.42x	7.02x	1.92x	0.62x
China Merchants Port Group Co	201872 CH	5,242	4.55x	-	14.89x	9.09x	0.32x
Westports Holdings Bhd	WPRTS MK	2,356	15.11x	9.19x	11.49x	5.59x	3.32x
Adani Ports & Special Economic	ADSEZ IN	21,385	19.68x	13.89x	17.95x	8.37x	3.90x
Beibuwan Port Co Ltd	000582 CH	1,911	12.13x	-	16.05x	3.29x	1.06x
Weighted ave.			14.16x	9.20x	14.27x	6.63x	3.15x

\*Blended forward

\*\*Latest filing

Source: Bloomberg



FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Metrics					
P/E (reported) (x)	17.3	12.7	14.5	13.1	12.3
Core P/E (x)	17.7	12.4	12.0	12.1	11.4
P/BV (x) P/NTA (x)	5.2	4.2	4.3	3.9	3.6
Net dividend yield (%)	nm 2.6	nm 3.2	nm 5.6	nm 5.8	nm 5.8
FCF yield (%)	10.0	9.6	11.7	11.7	12.0
EV/EBITDA (x)	9.0	7.1	7.0	6.8	6.6
EV/EBIT (x)	11.4	8.7	8.7	8.5	8.2
INCOME STATEMENT (USD m)					
Revenue	1,865.0	2,243.0	2,358.4	2,433.2	2,534.5
EBITDA	1,139.1	1,409.3	1,443.3	1,467.2	1,508.0
Depreciation	(98.7)	(101.5)	(114.0)	(116.7)	(119.5)
Amortisation	(148.3)	(165.2)	(171.0)	(175.0)	(179.3)
EBIT	892.1	1,142.6	1,158.4	1,175.5	1,209.2
Net interest income /(exp)	(268.8)	(269.8)	(310.9)	(314.7)	(303.8)
Associates & JV	(0.0)	2.0	0.5	1.6	2.5
Exceptionals	(22.2)	(52.6)	(77.6)	(17.7)	(17.7)
Other pretax income	0.9	8.0	0.0	0.0	0.0
Pretax profit	602.0	830.1	770.3	844.8	890.1
Income tax	(124.4)	(152.7)	(169.5)	(185.8)	(195.8)
Minorities  Remotivel accuration	(49.0)	(59.0)	(57.7)	(58.7)	(60.3)
Perpetual securities Discontinued operations	(58.8) 0.0	(33.4) 0.0	(28.1) 0.0	(29.3) 0.0	(30.5)
Reported net profit	369.8	585.0	514.9	570.9	603.4
Core net profit	442.8	591.1	620.1	617.2	651.0
BALANCE SHEET (USD m)	112.0	37111	020.1	017.12	031.0
Cash & Short Term Investments	657.6	838.9	1,197.0	837.7	913.5
Accounts receivable	135.0	157.9	157.2	162.2	169.0
Inventory	42.2	52.9	52.4	54.1	56.3
Property, Plant & Equip (net)	1,510.8	1,655.7	1,721.9	1,756.4	1,791.5
Intangible assets	2,077.3	2,407.3	2,468.9	2,534.0	2,603.0
Investment in Associates & JVs	449.2	250.3	250.7	252.4	254.8
Other assets	1,394.3	1,690.6	1,615.7	1,634.4	1,654.7
Total assets	6,266.5	7,053.6	7,463.9	7,231.1	7,442.8
ST interest bearing debt	81.9	776.9	443.4	40.1	335.4
Accounts payable	321.9	392.3	393.1	405.5	422.4
LT interest bearing debt	2,068.8	1,694.0	2,288.3	2,248.2	1,912.8
Other liabilities	2,282.0	2,464.0	2,588.0	2,637.0	2,689.0
Total Liabilities	4,754.9	5,326.9	5,712.4	5,331.1	5,359.2
Shareholders Equity	526.5	845.4	946.6	1,083.4	1,254.8
Minority Interest	189.9	298.1	309.6	321.4	333.4
Total shareholder equity	716.4	1,143.5	1,256.3	1,404.8	1,588.3
Perpetual securities	795.2	583.2	495.2	495.2	495.2
Total liabilities and equity	6,266.5	7,053.6	7,463.9	7,231.1	7,442.8
CASH FLOW (USD m)	402.0	920.1	770.2	944 9	900.1
Pretax profit	602.0	830.1	770.3	844.8	890.1
Depreciation & amortisation	247.0 268.8	266.7 269.8	285.0 310.9	291.7 314.7	298.8 303.8
Adj net interest (income)/exp Change in working capital	(40.8)	(113.1)	91.4	2.1	2.8
Cash taxes paid	(148.9)	(113.1)	(169.5)	(185.8)	(195.8)
Other operating cash flow	19.1	(10.0)	(0.5)	(1.6)	(2.5)
Cash flow from operations	947.2	1,090.9	1,287.7	1,265.8	1,297.3
Capex	(147.6)	(741.0)	(412.9)	(391.5)	(403.1)
Free cash flow	799.6	349.9	874.8	874.3	894.2
Dividends paid	(234.2)	(232.7)	(413.7)	(434.1)	(432.1)
Equity raised / (purchased)	(0.2)	(27.5)	0.0	0.0	0.0
Perpetual securities	(483.8)	(212.1)	(87.9)	0.0	0.0
Change in Debt	504.8	320.2	260.8	(443.4)	(40.1)
Perpetual securities distribution	(61.2)	(33.4)	(28.1)	(29.3)	(30.5)
			(42.4)	(447.4)	(404.3)
Other invest/financing cash flow	(249.5)	(121.2)	(42.6)	(117.4)	(101.3)
•	(249.5) (11.0)	(121.2) 8.0	0.0	0.0	(101.3)



FYE 31 Dec	FY21A	FY22A	FY23E	FY24E	FY25E
Key Ratios					
Growth ratios (%)					
Revenue growth	23.9	20.3	5.1	3.2	4.2
EBITDA growth	29.9	23.7	2.4	1.7	2.8
EBIT growth	37.9	28.1	1.4	1.5	2.9
Pretax growth	209.1	37.9	(7.2)	9.7	5.4
Reported net profit growth	830.3	58.2	(12.0)	10.9	5.7
Core net profit growth	57.0	33.5	4.9	(0.5)	5.5
Profitability ratios (%)					
EBITDA margin	61.1	62.8	61.2	60.3	59.5
EBIT margin	47.8	50.9	49.1	48.3	47.7
Pretax profit margin	32.3	37.0	32.7	34.7	35.1
Payout ratio	55.7	39.8	80.3	76.0	71.6
DuPont analysis					
Net profit margin (%)	19.8	26.1	21.8	23.5	23.8
Revenue/Assets (x)	0.3	0.3	0.3	0.3	0.3
Assets/Equity (x)	11.9	8.3	7.9	6.7	5.9
ROAE (%)	77.1	85.3	57.5	56.3	51.6
ROAA (%)	7.1	8.9	8.5	8.4	8.9
Liquidity & Efficiency					
Cash conversion cycle	(153.4)	(138.6)	(139.2)	(133.9)	(129.5)
Days receivable outstanding	25.5	23.5	24.1	23.6	23.5
Days inventory outstanding	24.2	24.9	25.3	24.2	23.5
Days payables outstanding	203.1	187.0	188.5	181.8	176.6
Dividend cover (x)	1.8	2.5	1.2	1.3	1.4
Current ratio (x)	1.8	1.0	1.6	2.2	1.5
Leverage & Expense Analysis					
Asset/Liability (x)	1.3	1.3	1.3	1.4	1.4
Net gearing (%) (incl perps)	98.8	94.5	87.6	76.3	64.1
Net gearing (%) (excl. perps)	208.4	142.7	122.2	103.3	84.0
Net interest cover (x)	3.3	4.2	3.7	3.7	4.0
Debt/EBITDA (x)	1.9	1.8	1.9	1.6	1.5
Capex/revenue (%)	7.9	33.0	17.5	16.1	15.9
Net debt/ (net cash)	1,493.0	1,631.9	1,534.7	1,450.6	1,334.7

Source: Company; Maybank IBG Research



#### **Research Offices**

#### **ECONOMICS**

Suhaimi ILIAS Chief Economist Malaysia | Philippines | Global (603) 2297 8682 suhaimi\_ilias@maybank-ib.com

CHUA Hak Bin

Regional Thematic Macroeconomist chuahb@maybank.com

Dr Zamros DZULKAFLI Malaysia | Philippines (603) 2082 6818

zamros.d@maybank-ib.com

Erica TAY China | Thailand (65) 6231 5844 erica.tay@maybank.com

Brian LEE Shun Rong Indonesia | Singapore | Vietnam (65) 6231 5846 brian.lee1@maybank.com

Fatin Nabila MOHD ZAINI (603) 2297 8685

fatinnabila.mohdzaini@maybank-ib.com

Luong Thu Huong (65) 6231 8467 hana.thuhuong@maybank.com

#### FX

Saktiandi SUPAAT Head of FX Research (65) 6320 1379 saktiandi@maybank.com

(65) 6320 1374 fionalim@maybank.com

Alan LAU (65) 6320 1378 alanlau@maybank.com

Shaun LIM (65) 6320 1371 shaunlim@maybank.com

#### STRATEGY

#### Anand PATHMAKANTHAN

(603) 2297 8783 anand.pathmakanthan@maybank-ib.com

#### FIXED INCOME

Winson PHOON, FCA Head of Fixed Income (65) 6340 1079 winsonphoon@maybank.com

(603) 2074 7606 munyi.st@maybank-ib.com

#### PORTFOLIO STRATEGY

ONG Seng Yeow (65) 6231 5839 ongsengyeow@maybank.com

MIBG SUSTAINABILITY RESEARCH

Jigar SHAH Head of Sustainability Research (91) 22 4223 2632 jigars@maybank.com

Neerav DALAL (91) 22 4223 2606 neerav@maybank.com

#### **REGIONAL EQUITIES**

Anand PATHMAKANTHAN Head of Regional Equity Research (603) 2297 8783 anand.pathmakanthan@maybank-ib.com

WONG Chew Hann, CA Head of ASEAN Equity Research (603) 2297 8686 wchewh@maybank-ib.com

#### ΜΑΙ ΔΥSΙΔ

Anand PATHMAKANTHAN Head of Research (603) 2297 8783 anand.pathmakanthan@maybank-ib.com

Strategy

WONG Chew Hann, CA (603) 2297 8686 wchewh@maybank-ib.com • Non-Bank Financials (stock exchange) • Construction & Infrastructure

Desmond CH'NG, BFP, FCA (603) 2297 8680 desmond.chng@maybank-ib.com

Banking & Finance

ONG Chee Ting, CA (603) 2297 8678 ct.ong@maybank-ib.com • Plantations - Regional

YIN Shao Yang, CPA (603) 2297 8916 samuel.y@maybank-ib.com

Gaming - Regional
 Media • Aviation • Non-Bank Financials

TAN Chi Wei, CFA (603) 2297 8690 chiwei.t@maybank-ib.com • Power • Telcos

WONG Wei Sum, CFA (603) 2297 8679 weisum@maybank-ib.com
• Property • Glove

Jade TAM (603) 2297 8687

jade.tam@maybank-ib.com
• Consumer Staples & Discretionary Nur Farah SYIFAA (603) 2297 8675

nurfarahsyifaa.mohamadfuad@maybank-ib.com
• Renewable Energy • REITs

LOH Yan Jin (603) 2297 8687 lohyanjin.loh@maybank-ib.com
• Ports • Shipping • Automotive

Arvind JAYARATNAM (603) 2297 8692 arvind.jayaratnam@maybank.com · Petrochemicals · Technology

Jeremie YAP (603) 2297 8688 jeremie.yap@maybank-ib.com
• Oil & Gas Services

TEE Sze Chiah Head of Retail Research (603) 2082 6858

szechiah t@maybank-ib com Retail Research

Nik Ihsan RAJA ABDULLAH, MSTA, CFTe (603) 2297 8694 ikmohdihsan.ra@maybank-ib.com

• Chartist

Amirah AZMI (603) 2082 8769 amirah.azmi@maybank-ib.com · Retail Research

#### SINGAPORE

Thilan WICKRAMASINGHE Head of Research (65) 6231 5840 thilanw@maybank.com
Banking & Finance - Regional
Consumer

Eric ONG

(65) 6231 5849 ericong@maybank.com
• Healthcare • Transport • SMIDs

Kelvin TAN (65) 6231 5837 kelvin.tan1@maybank.com Telcos • Industrials

LI Jialin (65) 6231 5845 jialin.li@maybank.com REITs

Jarick SEET (65) 6231 5848 jarick.seet@maybank.com
• Technology

Krishna GUHA (65) 6231 5842 krishna.guha@maybank.com
REITs

#### **PHILIPPINES**

Jacqui de JESUS Head of Research (63) 2 8849 8840 jacqui.dejesus@maybank.com
• Strategy • Conglomerates

Rachelleen RODRIGUEZ, CFA (63) 2 8849 8843 rachelleen.rodriguez@maybank.com
• Banking & Finance • Transport • Telcos Utilities

Daphne SZE (63) 2 8849 8847 daphne.sze@maybank.com Consumer

Alexa Mae CARVAJAL (63) 2 8849 8838 alexamae.carvajal@maybank.com • Consumer • Gaming • Property • REITs

THAILAND

Chak REUNGSINPINYA Head of Research (66) 2658 5000 ext 1399 chak.reungsinpinya@maybank.com • Strategy • Energy

Jesada TECHAHUSDIN, CFA (66) 2658 5000 ext 1395 jesada.t@maybank.com • Banking & Finance

Wasu MATTANAPOTCHANART (66) 2658 5000 ext 1392 wasu.m@mavbank.com • Telcos • REITs

Surachai PRAMUALCHAROENKIT (66) 2658 5000 ext 1470 surachai.p@maybank.com
• Auto • Conmat • Contractor • Steel

Suttatip PEERASUB (66) 2658 5000 ext 1430 suttatip.p@maybank.com • Food & Beverage • Commerce

#### INDONESIA

Jeffrosenberg CHENLIM Head of Research (62) 21 8066 8680 jeffrosenberg.lim@maybank.com • Strategy • Banking & Finance • Property

Willy GOUTAMA (62) 21 8066 8500 willy.goutama@maybank.com • Consumer

Etta Rusdiana PUTRA (62) 21 8066 8683 etta.putra@maybank.com
• Telcos • Internet • Construction

William Jefferson W (62) 21 8066 8563 william.jefferson@maybank.com

Property

Adi WICAKSONO (62) 21 8066 8686 adi.wicaksono@mavbank.com Plantations

Satriawan HARYONO, CEWA, CTA (62) 21 8066 8682 satriawan@maybank.com Chartist

#### VIETNAM

Quan Trong Thanh Head of Research (84 28) 44 555 888 ext 8184 thanh.quan@maybank.com • Strategy • Banks

Hoang Huy, CFA (84 28) 44 555 888 ext 8181 hoanghuy@maybank.com • Strategy • Technology

Le Nguyen Nhat Chuyen (84 28) 44 555 888 ext 8082 chuyen.le@maybank.com
• Oil & Gas • Logistics

Nguyen Thi Sony Tra Mi (84 28) 44 555 888 ext 8084 trami.nguyen@maybank.com
Consumer Discretionary

Tran Thi Thanh Nhan (84 28) 44 555 888 ext 8088 nhan.tran@maybank.com Consumer Staples

Nguyen Le Tuan Loi (84 28) 44 555 888 ext 8182 loi.nguyen@maybank.com Property

Nguyen Thanh Hai (84 28) 44 555 888 ext 8081 thanhhai.nguyen@maybank.com
• Industrials

Nguven Thanh Lam (84 28) 44 555 888 ext 8086 thanhlam.nguyen@maybank.com • Retail Research

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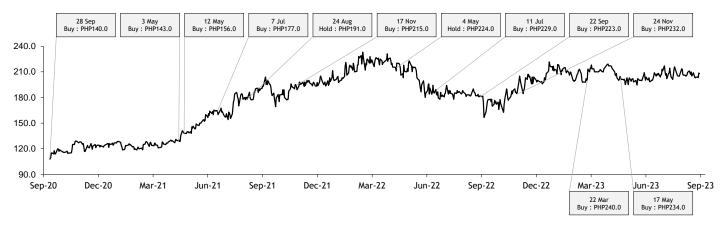
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—— Int'l Container Terminal Svcs

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September 29, 2023



# Malaysia

Maybank Investment Bank Berhad (A Participating Organisation of Bursa Malaysia Securities Berhad) 33rd Floor, Menara Maybank, 100 Jalan Tun Perak, 50050 Kuala Lumpur

Tel: (603) 2059 1888; Fax: (603) 2078 4194

Stockbroking Business: Level 8, Tower C, Dataran Maybank,

No.1, Jalan Maarof 59000 Kuala Lumpur Tel: (603) 2297 8888 Fax: (603) 2282 5136

# Singapore

Maybank Securities Pte Ltd Maybank Research Pte Ltd 50 North Canal Road Singapore 059304

Tel: (65) 6336 9090

# Indonesia

PT Maybank Sekuritas Indonesia Sentral Senayan III, 22<sup>nd</sup> Floor Jl. Asia Afrika No. 8 Gelora Bung Karno, Senayan Jakarta 10270, Indonesia

Tel: (62) 21 2557 1188 Fax: (62) 21 2557 1189

#### Thailand

Maybank Securities (Thailand) PCL 999/9 The Offices at Central World, 20<sup>th</sup> - 21<sup>st</sup> Floor, Rama 1 Road Pathumwan, Bangkok 10330, Thailand

Tel: (66) 2 658 6817 (sales) Tel: (66) 2 658 6801 (research)

# Sales Trading

Indonesia Helen Widjaja helen.widjaja@maybank.com (62) 21 2557 1188

Philippines Keith Roy keith\_roy@maybank.com Tel: (63) 2 848-5288 London

Greg Smith gsmith@maybank.com Tel: (44) 207-332-0221

India

Sanjay Makhija sanjaymakhija@maybank.com Tel: (91)-22-6623-2629

# London

Maybank Securities (London) Ltd PNB House 77 Queen Victoria Street London EC4V 4AY, UK

Tel: (44) 20 7332 0221 Fax: (44) 20 7332 0302

# India

MIB Securities India Pte Ltd 1101, 11<sup>th</sup> floor, A Wing, Kanakia Wall Street, Chakala, Andheri -Kurla Road, Andheri East, Mumbai City - 400 093, India

Tel: (91) 22 6623 2600 Fax: (91) 22 6623 2604

# Vietnam

Maybank Securities Limited Floor 10, Pearl 5 Tower, 5 Le Quy Don Street, Vo Thi Sau Ward, District 3 Ho Chi Minh City, Vietnam

Tel: (84) 28 44 555 888 Fax: (84) 28 38 271 030

# Hong Kong

MIB Securities (Hong Kong) Limited 28/F, Lee Garden Three, 1 Sunning Road, Causeway Bay, Hong Kong

Tel: (852) 2268 0800 Fax: (852) 2877 0104

# Philippines

Maybank Securities Inc 17/F, Tower One & Exchange Plaza Ayala Triangle, Ayala Avenue Makati City, Philippines 1200

Tel: (63) 2 8849 8888 Fax: (63) 2 8848 5738

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