BUY (Unchanged)

Change in Numbers

TP: Bt 5.30 (Unchanged)

Upside : 29.3%

11 OCTOBER 2021

Small Cap Research

Namyong Terminal Pcl (NYT TB)

No lost demand

We expect NYT's 2H21F earnings to decline 28% h-h on weaker car exports and a delay to its new business. However, we expect delayed car exports to lead to pent-up demand for the company next year given the operating leverage effect. We reaffirm our BUY call on NYT.

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Thanachart Securities

2H21F hiccups have no long-term bearing

We expect NYT to experience some earnings hiccups in 2H21F because of softer car exports and a delay of its new business venture. We estimate 2H21F earnings to fall by 28% h-h and 13% y-y. However, these are short-term hiccups in our view that have no bearing on the company's long-term fundamentals. We cut our earnings by 4% in 2021F while only trimming them in 2022-23F. With the 25% fall in its share price from this year's peak, we reaffirm our BUY call on NYT as a play on the turnaround in auto exports amid the global reopening and pent-up demand from the chip shortage situation. We estimate strong 37% and 29% EPS growth in 2022-23F with 7-9% dividend yields in those years.

Chip shortage delays auto exports

Some carmakers have implemented temporary plant shutdowns in Thailand due to the global chip shortage and high levels of COVID infections in Southeast Asia. Mitsubishi Motor Corporation cut production in Thailand and Japan in May. Honda Automobile (Thailand) also temporarily halted operations in Thailand in May. Ford and Mazda in Thailand stopped production for 10 days in September. Toyota Motor Corporation announced a production cut of 430,000 units in September and 330,000 units (180,000 overseas and 150,000 in Japan) in October this year. Auto exports recovered strongly by 35% y-y in 1H21 but started to fall in August by 16% m-m. We expect exports to remain weak in September before improving in 4Q21F with stronger production from 1Q22F onward. NYT has a 76% market share of the Roll-on/Roll-off (Ro/Ro) auto terminal service in Thailand and this business contributes 80% of NYT's revenue.

New ferry business delayed

NYT owns a 51% stake in Seahorse Ferries, a marine cargo ferry business, which we earlier expected to start up in April. But due to escalating COVID cases, we now expect Seahorse to start services in early 2022F. Seahorse owns one ferry that can carry 80 trailers and trucks, 20 passenger cars and 580 passengers. The ferry would run on two routes in Sattahip district in Chonburi province – Prachuap Khiri Khan province and Sattahip to Songkhla province. We estimate Seahorse to contribute a Bt33m loss to NYT in 2021F due to pre-operating expenses before breaking even in 2022F and posting a Bt19m profit in 2023F.

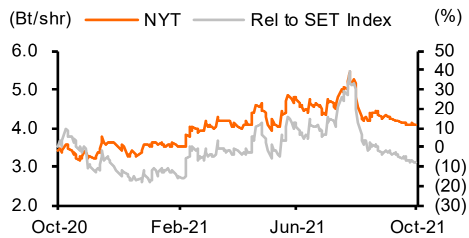
Earnings growth with yield

We project EPS growth of 37% in 2022F and 29% in 2023F, driven by auto export growth of 11-12% p.a., operating leverage effect from high fixed costs to operating export-import terminals, and falling Seahorse losses. We also like NYT for its decent yields of 4.9% in 2021F and 6.6% in 2022F. NYT is a net-cash company with a 100% payout ratio.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	1,195	1,251	2,090	2,525
Net profit	229	247	338	435
Consensus NP	—	315	372	430
Diff frm cons (%)	—	*(21.8)*	*(9.2)*	*1.1*
Norm profit	234	247	338	435
Prev. Norm profit	—	258	340	439
Chg frm prev (%)	—	*(4.4)*	*(0.7)*	*(0.8)*
Norm EPS (Bt)	0.2	0.2	0.3	0.4
Norm EPS grw (%)	(37.8)	5.3	36.9	28.8
Norm PE (x)	21.7	20.6	15.1	11.7
EV/EBITDA (x)	4.7	5.0	3.9	3.3
P/BV (x)	1.6	1.6	1.5	1.5
Div yield (%)	4.9	4.9	6.6	8.6
ROE (%)	6.6	7.6	10.3	13.1
Net D/E (%)	(34.6)	(31.5)	(38.9)	(44.7)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 11-Oct-21 (Bt)	4.10
Market Cap (US$ m)	150.0
Listed Shares (m shares)	1,240.0
Free Float (%)	40.9
Avg Daily Turnover (US$ m)	1.7
12M Price H/L (Bt)	5.45/3.14
Sector	Transportation
Major Shareholder	Nam Yuen Yong Shipping 25.2%

Sources: Bloomberg, Company data, Thanachart estimates

Earnings growth with yield; BUY

We cut our earnings by 4% in 2021F …

We expect Namyong Terminal Pcl (NYT) to experience some earnings hiccups in 2H21F because of softer car exports and delays to its new business venture. We cut our earnings estimate by 4% in 2021F but only trim our 2022-23F numbers. With those hiccups, we estimate NYT's 2H21F earnings to fall by 28% h-h and 13% y-y.

Ex 1: Changes In Our Key Assumptions And Earnings Revisions

	2019	2020	2021F	2022F	2023F	2024F
Seahorse business' profit (loss) (Bt m)						
- New	—	(3)	(65)	0	38	58
- Old			(39)	2	41	58
- Change (Bt m)			*(26)*	*(2)*	*(3)*	*(1)*
Net profit (Bt m)						
- New	377	234	247	338	435	479
- Old			258	340	439	481
- Change (%)			*(4.4)*	*(0.7)*	*(0.8)*	*(0.2)*

Sources: Company data, Thanachart estimates

Maintain BUY rating …

However, these are only short-term hiccups in our view that have no bearing on the company's long-term fundamentals. With the 25% fall in its share price from this year's peak, we reaffirm our BUY rating on shares of NYT as a play on the auto export turnaround during the global reopening and pent-up demand from the chip shortage situation.

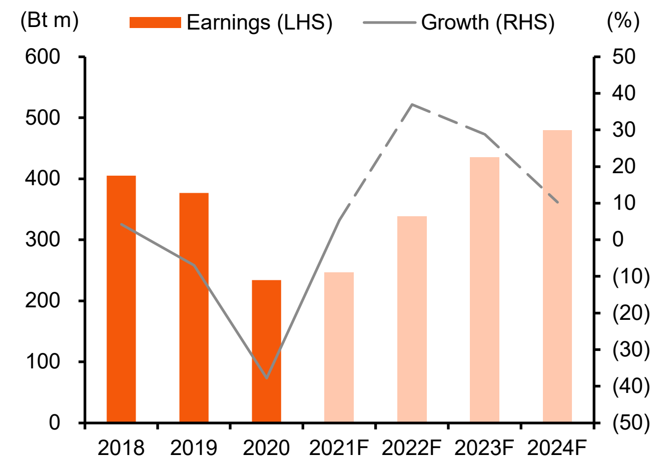
1) Strong earnings growth in 2022-23F

We estimate NYT's EPS to grow by 37% in 2022F and 29% in 2023F, driven by auto export growth of 11-12% p.a., the operating leverage effect from high fixed costs for operating export-import terminals, and falling losses from Seahorse Ferries. Given that depreciation and amortization costs for NYT's existing terminal management and warehouse businesses accounted for 35% of total revenue, or 53% of total costs in 2020, it therefore enjoys strong operating leverage benefits when there is top-line growth.

2) Decent dividend yield

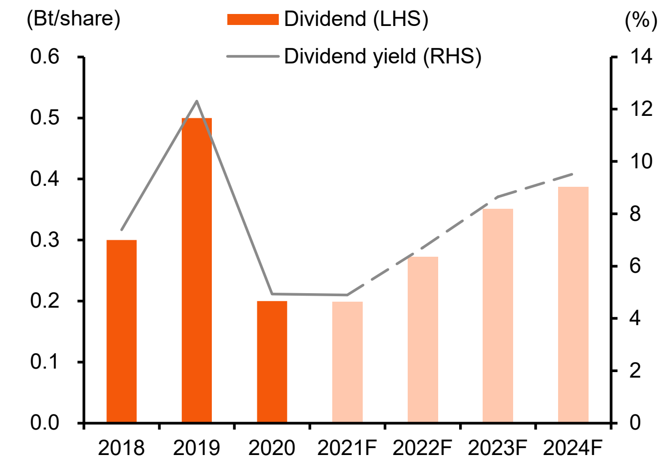
We also like NYT for its decent dividend yields. With NYT being a net-cash company, we estimate NYT to pay a 100% dividend payout ratio, which implies dividend yields of 4.9% in 2021F and 6.6% in 2022F.

Ex 2: Earnings Turnaround In 2022-23F



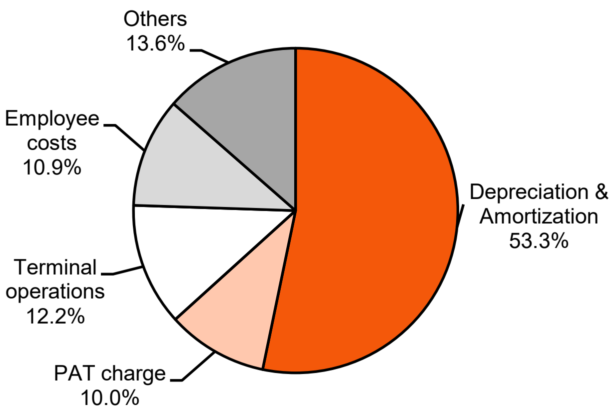
Sources: Company data, Thanachart estimates

Ex 3: High Dividend Yields



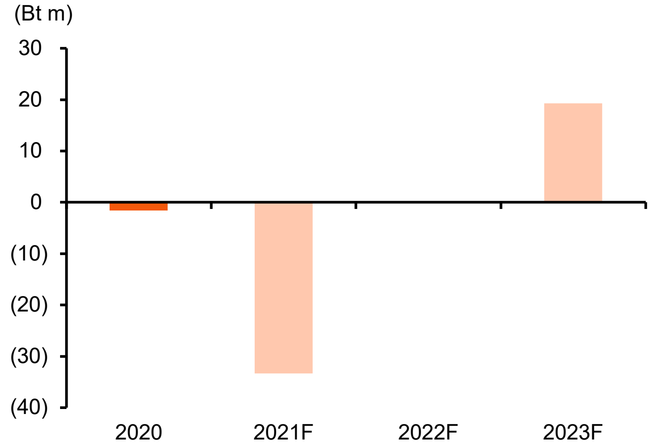
Sources: Company data, Thanachart estimates

Ex 4: Cost Structure In 2020



Source: Company data

Ex 5: Falling Losses From Seahorse



Sources: Company data, Thanachart estimates

Chip shortage delays auto exports

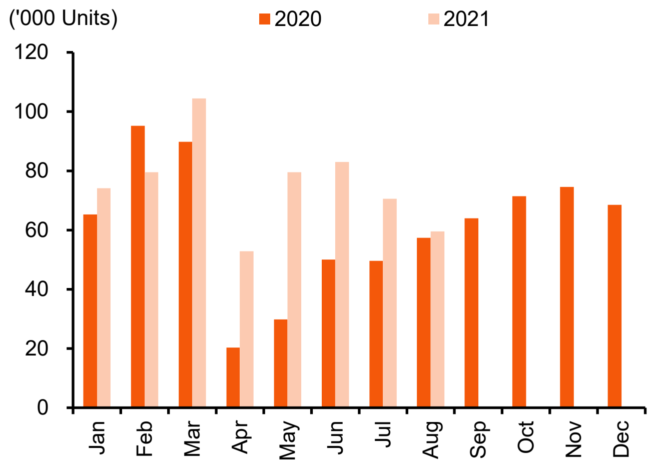
Carmakers cut their production in May-October 2021

Some carmakers have implemented temporary plant shutdowns in Thailand because of the global chip shortage situation and high levels of COVID infections in Southeast Asia. Mitsubishi Motor Corporation cut production in Thailand and Japan in May this year. Honda Automobile (Thailand) also temporarily halted operations in Thailand in May. Ford and Mazda in Thailand stopped production for 10 days in September. Meanwhile, Toyota Motor Corporation announced a global production cut of 430,000 units in September (up from the original cut of 360,000 units) and 330,000 units (180,000 overseas and 150,000 in Japan) in October this year.

We expect car production to gradually improve from October 2021F

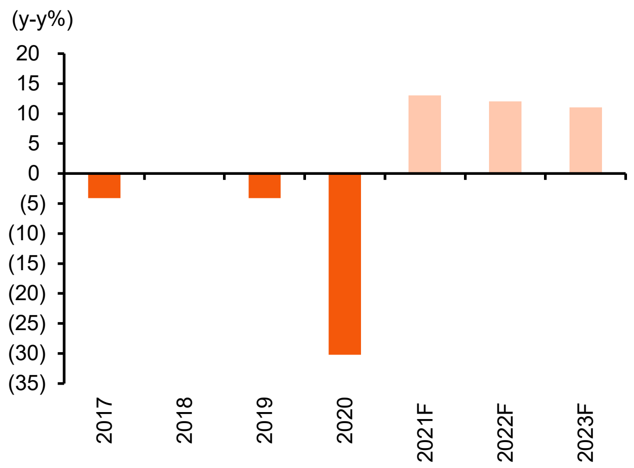
Thailand's auto exports recovered strongly by 35% y-y in 1H21 but started to fall in August by 16% m-m. We expect exports to remain weak in September before improving in 4Q21F with stronger production from 1Q22F onward. NYT has a 76% market share in the Roll-on/Roll-off (Ro/Ro) auto terminal service in Thailand and this business contributes 80% of NYT's revenue.

Ex 6: Thailand's Monthly Auto Exports



Source: The Federation of Thai Industries

Ex 7: Thailand's Yearly Auto Export Growth



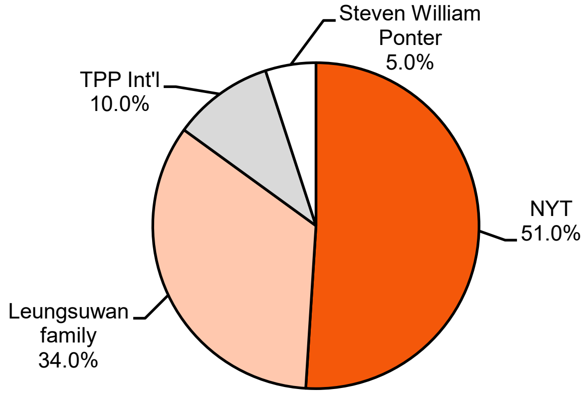
Sources: The Federation of Thai Industries, Thanachart estimates

New ferry business delayed

NYT holds a 51% stake in Seahorse

To recap on the Seahorse Ferries (Seahorse) business, NYT invested Bt51m to acquire a 51% stake in Seahorse that provides a marine transportation service for vehicles and passengers. The other major shareholder is the Leungsuwan family, who are NYT's major shareholders. The first phase of the project costs Bt250m for one ferry in service.

Ex 8: Seahorse's Shareholders



Source: Company data

Note: Thai Packing and Printing Pcl (TPP TB) holds a 100% stake in TPP International Co., Ltd. (TPP Int'l)
Steven William Ponter is a management executive of NYT

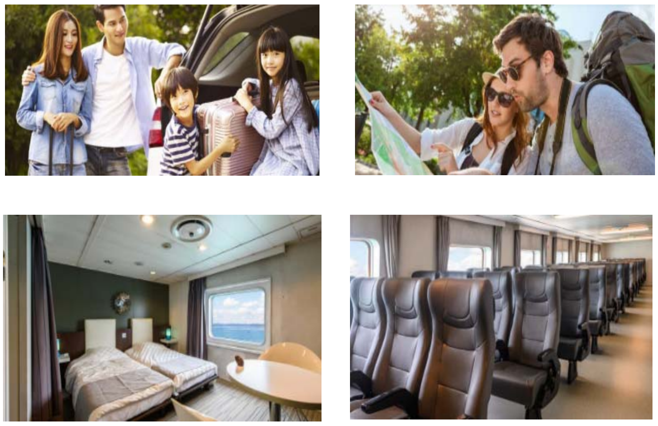
Seahorse ferry's capacity

The first Seahorse ferry was bought from Japan. It can carry 80 trucks, 20 passenger cars and 580 people.

Ex 9: Seahorse Ferry From Japan

Source: Company data

Ex 10: Passenger Services



Source: Company data

Ex 11: Vehicle Services

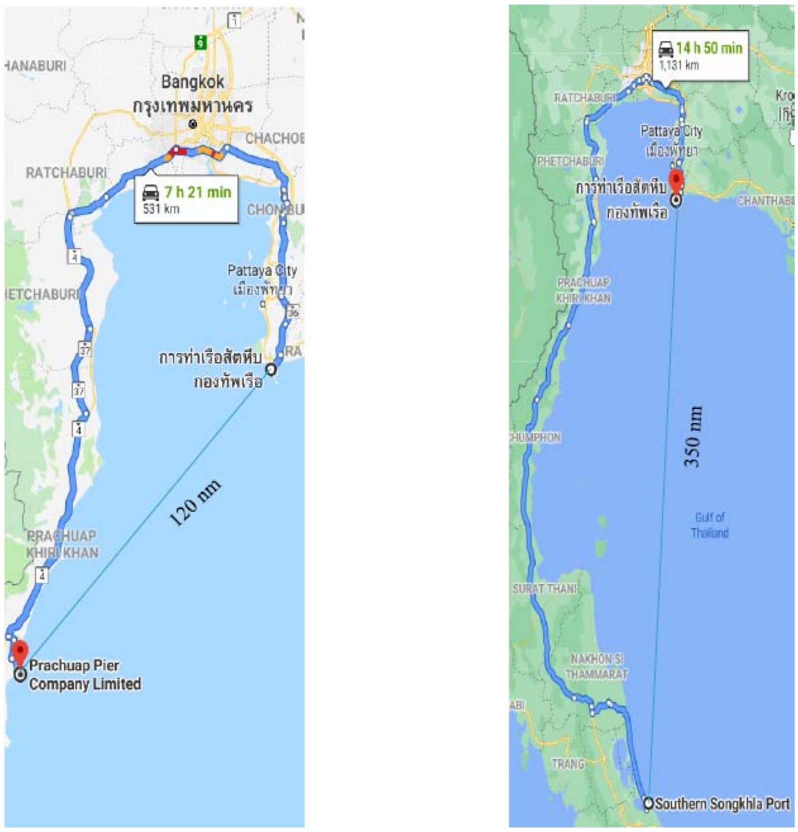
Source: Company data

Two shipping routes in service

Seahorse has two shipping routes. The first is Sattahip, Chonburi province-Prachuap Khiri Khan province. The second is Sattahip, Chonburi province-Songkhla province.

Ex 12: Two Ferry Routes

Sattahip-Prachuap Khiri Khan	Sattahip-Songkhla



Source: Company data

We estimate Seahorse to start up in early 2022F

Seahorse earlier targeted to start up its operations in April this year. However, because of escalating COVID infections, we now expected it to start service in early 2022F. With strong land cargo demand in Thailand, sea cargo offers another good option for clients to deliver their products. Seahorse's ferry can carry all products except for dangerous goods. Together with cost savings for clients from using sea cargo such as truck drivers' salaries (only one driver for sea cargo vs. two drivers for land cargo over long routes) and truck maintenance costs; and shortening the delivery time by five to six hours on each route for sea cargo, we foresee decent potential growth for NYT's sea cargo business. We estimate Seahorse to contribute a Bt33m loss to NYT in 2021F due to pre-operating expenses before breaking even in 2022F and then making a Bt19m profit in 2023F.

Ex 13: 12-month DCF-based TP Calculation Using A Base Year Of 2022F

(Bt m)	2022F	2023F	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal value
EBITDA excl. depre from right of use	970	1,095	1,148	1,181	1,209	1,235	1,264	1,294	1,325	1,357	1,405	–
Free cash flow	616	743	811	852	817	776	811	1,013	1,038	1,065	306	2,925
PV of free cash flow	614	596	582	538	460	390	363	404	369	323	82	787

Risk-free rate (%)	2.5
Market risk premium (%)	8.0
Beta	1.2
WACC (%)	11.7
Terminal growth (%)	2.0
Enterprise value - add investments	5,509
Net debt (end-2021F)	(1,028)
Minority interest	8
Equity value	6,529
# of shares (m)	1,240
Target price/share (Bt)	**5.30**

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 14: Valuation Comparison With Regional Peers

Name	BBG code	Country	EPS growth 21F (%)	EPS growth 22F (%)	PE 21F (x)	PE 22F (x)	P/BV 21F (x)	P/BV 22F (x)	EV/EBITDA 21F (x)	EV/EBITDA 22F (x)	Div yield 21F (%)	Div yield 22F (%)
China Merchants Port Holding	144 HK	Hong Kong	47.6	(9.3)	6.1	6.7	0.5	0.5	9.9	10.4	7.1	6.3
Cosco Shipping Ports Ltd.	1199 HK	Hong Kong	0.8	8.3	61.7	56.9	3.9	3.7	14.6	13.5	0.7	0.7
Port of Tauranga Ltd.	POT NZ	New Zealand	(6.6)	12.7	47.0	41.8	3.8	3.2	29.7	27.5	1.9	2.1
Hutchison Port Holdings TR-U	HPHT SP	Singapore	41.5	(23.7)	1.7	2.2	0.1	0.1	7.3	8.0	60.0	59.1
Namyong Terminal Pcl *	NYT TB	Thailand	5.3	36.9	20.6	15.1	1.6	1.5	5.0	3.9	4.9	6.6
Precious Shipping *	PSL TB	Thailand	na	30.0	8.9	6.8	2.3	1.7	6.9	4.9	0.0	0.0
Average			**17.7**	**5.0**	**27.4**	**24.5**	**2.0**	**1.8**	**13.3**	**12.6**	**14.9**	**15.0**

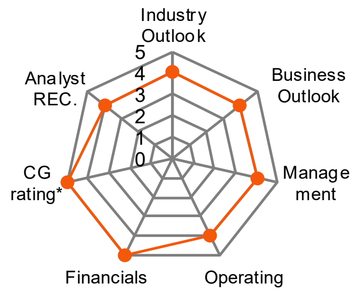
Sources: Company data, Thanachart estimates
Note: * Thanachart estimates, using normalized EPS.
Based on 11 Oct 2021 closing prices

COMPANY DESCRIPTION

Namyong Terminal Pcl (NYT) is the largest, most fully integrated Roll-on-Roll-off (Ro-Ro) terminal operator in Thailand, located at Laem Chabang Port, Sriracha, Chonburi province. The firm began operating as a Ro-Ro terminal service provider for cars and general cargo exports and imports in 2002. NYT now holds a near monopoly position with around a 76% auto export market share each year.

Source: Thanachart

COMPANY RATING



Rating Scale	
Excellent	**5**
Good	**4**
Fair	**3**
Weak	**2**
Very Weak	**1**
None	**0**

Source: Thanachart; * CG Rating

THANACHART'S SWOT ANALYSIS

S — Strength

- Holds a near-monopoly position as a terminal operator for auto exports/imports.
- Net-cash company with a strong financial position.
- Low-risk business model given its concession with the Port Authority of Thailand (PAT).
- Expanding its supporting area and warehouse businesses to further diversify its portfolio.
- Expanding to high-growth potential logistics business.

W — Weakness

- Very dependent on Thailand's auto export industry.
- Under the direct control of the PAT.

O — Opportunity

- Government's investment policy.
- Strong demand for logistics business in Thailand.
- Thailand's auto export recovery

T — Threat

- A new concession not being granted by the PAT.
- New Ro-Ro terminals capturing NYT's market share.
- Natural disaster / Disease outbreak.

CONSENSUS COMPARISON

	Consensus	Thanachart	Diff
Target price (Bt)	5.60	5.30	-5%
Net profit 21F (Bt m)	315	247	-22%
Net profit 22F (Bt m)	372	338	-9%
Consensus REC	**BUY: 3**	**HOLD: 0**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings and TP are below the Bloomberg consensus numbers, which we attribute to us having a more conservative view on Thailand's auto export recovery and the earnings contribution from Seahorse's business.

Sources: Bloomberg consensus, Thanachart estimates

RISKS TO OUR INVESTMENT CASE

- If NYT fails to win a new concession for Terminal A5 after the existing concession expires in 2026, its terminal service earnings and our call would be subject to downside risks.
- If Thailand's auto exports grow at a slower pace than we currently anticipate, this would represent another downside risk to our earnings forecasts and TP.
- Lower occupancy rates and rental prices for NYT's warehouse business would present downside risk to our earnings forecasts and TP.
- If NYT's new marine transportation business turns around slower than we currently expect, this would present another secondary downside risk to our numbers.

Source: Thanachart

Auto recovery drives earnings

Concession for terminal A5 has been extended for five years

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	1,419	1,195	1,251	2,090	2,525
Cost of sales	782	621	720	1,321	1,596
Gross profit	**637**	**574**	**531**	**769**	**929**
% gross margin	44.9%	48.0%	42.5%	36.8%	36.8%
Selling & administration expenses	161	160	179	259	293
Operating profit	**476**	**414**	**352**	**509**	**636**
% operating margin	33.6%	34.7%	28.1%	24.4%	25.2%
Depreciation & amortization	207	429	456	461	459
EBITDA	**683**	**843**	**808**	**970**	**1,095**
% EBITDA margin	48.2%	70.6%	64.6%	46.4%	43.4%
Non-operating income	34	27	19	24	32
Non-operating expenses	9	(9)	5	0	0
Interest expense	(5)	(75)	(86)	(92)	(85)
Pre-tax profit	**515**	**357**	**290**	**442**	**583**
Income tax	102	69	57	87	114
After-tax profit	**412**	**288**	**232**	**354**	**469**
% net margin	29.1%	24.1%	18.6%	17.0%	18.6%
Shares in affiliates' Earnings	(36)	(55)	(18)	(17)	(16)
Minority interests	0	1	32	(0)	(19)
Extraordinary items	0	(6)	0	0	0
NET PROFIT	**377**	**229**	**247**	**338**	**435**
Normalized profit	**377**	**234**	**247**	**338**	**435**
EPS (Bt)	0.3	0.2	0.2	0.3	0.4
Normalized EPS (Bt)	0.3	0.2	0.2	0.3	0.4

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	1,737	1,420	1,328	1,614	1,859
Cash & cash equivalent	1,583	1,302	1,200	1,400	1,600
Account receivables	124	95	103	172	208
Inventories	0	3	4	7	9
Others	30	20	21	35	43
Investments & loans	1,321	1,260	1,260	1,260	1,260
Net fixed assets	1,155	1,238	1,122	1,006	893
Other assets	142	1,775	2,290	2,107	1,894
Total assets	**4,355**	**5,693**	**6,000**	**5,988**	**5,906**
LIABILITIES:					
Current liabilities:	286	382	423	529	564
Account payables	25	24	30	47	48
Bank overdraft & ST loans	0	0	0	0	0
Current LT debt	0	7	3	2	2
Others current liabilities	260	352	390	479	514
Total LT debt	**10**	**156**	**169**	**112**	**89**
Others LT liabilities	267	1,862	2,148	2,041	1,880
Total liabilities	**563**	**2,400**	**2,739**	**2,682**	**2,533**
Minority interest	0	40	8	8	26
Preferreds shares	0	0	0	0	0
Paid-up capital	620	620	620	620	620
Share premium	2,178	2,178	2,178	2,178	2,178
Warrants	0	0	0	0	0
Surplus	0	0	0	0	0
Retained earnings	**993**	**455**	**455**	**500**	**549**
Shareholders' equity	3,792	3,254	3,253	3,299	3,347
Liabilities & equity	**4,355**	**5,693**	**6,000**	**5,988**	**5,906**

Sources: Company data, Thanachart estimates

Strong financial status

CASH FLOW STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Earnings before tax	515	357	290	442	583
Tax paid	(102)	(72)	(57)	(71)	(105)
Depreciation & amortization	207	429	456	461	459
Chg In w orking capital	(42)	25	(3)	(55)	(36)
Chg In other CA & CL / minorities	(9)	90	19	42	3
Cash flow from operations	**568**	**829**	**704**	**819**	**903**
Capex	(65)	(295)	(100)	(100)	(100)
Right of use	0	(1,903)	(750)	0	0
ST loans & investments	0	0	0	0	0
LT loans & investments	(634)	60	0	0	0
Adj for asset revaluation	0	0	0	0	0
Chg In other assets & liabilities	8	1,642	282	(169)	(194)
Cash flow from investments	**(691)**	**(496)**	**(568)**	**(269)**	**(294)**
Debt financing	(45)	152	9	(58)	(23)
Capital increase	0	0	0	0	0
Dividends paid	(372)	(620)	(247)	(292)	(386)
Warrants & other surplus	0	(147)	0	0	0
Cash flow from financing	**(417)**	**(614)**	**(238)**	**(350)**	**(409)**
Free cash flow	**502**	**534**	**604**	**719**	**803**

Inexpensive valuation, in our view

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	13.5	21.7	20.6	15.1	11.7
Normalized PE - at target price (x)	17.5	28.1	26.6	19.5	15.1
PE (x)	13.5	22.2	20.6	15.1	11.7
PE - at target price (x)	17.5	28.8	26.6	19.5	15.1
EV/EBITDA (x)	5.1	4.7	5.0	3.9	3.3
EV/EBITDA - at target price (x)	7.3	6.4	6.9	5.4	4.6
P/BV (x)	1.3	1.6	1.6	1.5	1.5
P/BV - at target price (x)	1.7	2.0	2.0	2.0	2.0
P/CFO (x)	9.0	6.1	7.2	6.2	5.6
Price/sales (x)	3.6	4.3	4.1	2.4	2.0
Dividend yield (%)	12.2	4.9	4.9	6.6	8.6
FCF Yield (%)	9.9	10.5	11.9	14.1	15.8
(Bt)					
Normalized EPS	0.3	0.2	0.2	0.3	0.4
EPS	0.3	0.2	0.2	0.3	0.4
DPS	0.5	0.2	0.2	0.3	0.4
BV/share	3.1	2.6	2.6	2.7	2.7
CFO/share	0.5	0.7	0.6	0.7	0.7
FCF/share	0.4	0.4	0.5	0.6	0.6

Sources: Company data, Thanachart estimates

Improving terminal business drives revenue and earnings in 2021-23F

FINANCIAL RATIOS

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Growth Rate					
Sales (%)	(0.6)	(15.8)	4.7	67.0	20.8
Net profit (%)	(7.0)	(39.3)	7.9	36.9	28.8
EPS (%)	(7.0)	(39.3)	7.9	36.9	28.8
Normalized profit (%)	(7.0)	(37.8)	5.3	36.9	28.8
Normalized EPS (%)	(7.0)	(37.8)	5.3	36.9	28.8
Dividend payout ratio (%)	164.7	108.5	100.0	100.0	100.0
Operating performance					
Gross margin (%)	44.9	48.0	42.5	36.8	36.8
Operating margin (%)	33.6	34.7	28.1	24.4	25.2
EBITDA margin (%)	48.2	70.6	64.6	46.4	43.4
Net margin (%)	29.1	24.1	18.6	17.0	18.6
D/E (incl. minor) (x)	0.0	0.0	0.1	0.0	0.0
Net D/E (incl. minor) (x)	(0.4)	(0.3)	(0.3)	(0.4)	(0.4)
Interest coverage - EBIT (x)	100.7	5.6	4.1	5.5	7.5
Interest coverage - EBITDA (x)	144.4	11.3	9.4	10.5	12.9
ROA - using norm profit (%)	8.6	4.7	4.2	5.6	7.3
ROE - using norm profit (%)	9.9	6.6	7.6	10.3	13.1
DuPont					
ROE - using after tax profit (%)	10.9	8.2	7.1	10.8	14.1
- asset turnover (x)	0.3	0.2	0.2	0.3	0.4
- operating margin (%)	36.6	36.1	30.0	25.5	26.5
- leverage (x)	1.2	1.4	1.8	1.8	1.8
- interest burden (%)	99.1	82.7	77.1	82.8	87.3
- tax burden (%)	80.1	80.7	80.2	80.2	80.5
WACC (%)	11.7	11.7	11.7	11.7	11.7
ROIC (%)	22.2	15.1	13.3	18.4	25.4
NOPAT (Bt m)	382	334	282	409	512
invested capital (Bt m)	2,219	2,115	2,225	2,013	1,838

Sources: Company data, Thanachart estimates

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