Small Cap Research

BUY (Unchanged)

Change in Numbers

TP: Bt 5.30 (Unchanged)

Upside : 26.8%

16 NOVEMBER 2021

Namyong Terminal Pcl (NYT TB)

BUY into the bottom

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NYT's weak 3Q21 doesn't change our view on it being an auto export turnaround play. Despite a 5% cut to our earnings in 2021F, we largely maintain our forecasts in later years. With auto production recovering from October onward, our 45/25% EPS growth in 2022-23F and 4.5/6.6% yield assumptions in 2021-22F remain intact. Reaffirm BUY.

Thanachart Securities

On the path to bottoming out; BUY

NYT's 3Q21 earnings were weaker than we had expected at Bt38m, up 72% y-y but down 34% q-q due to higher losses from its 51%-owned Seahorse Ferries and 49%-owned NYKT International Terminal. What was in line was the weak main terminal business due to soft exports during the quarter. We cut our earnings by 5% in 2021F and fine tune our numbers in later years. Our DCF-based 12-month TP is unchanged at Bt5.30. We reaffirm our BUY call on NYT. *First,* we believe 3Q21 was the bottom quarter as auto exports had already started to recover from September with production ramping up. *Second,* we project strong earnings growth of 45/25% in 2022-23F vs. -38/0% in 2020-21F. *Third,* dividend yields look decent at 4.5/6.6% in 2021-22F. *Fourth,* 15.2x PE in 2022F is inexpensive, in our view. *Lastly,* we see potential upside from its warehouse business expansion.

Earnings turnaround

We expect NYT's earnings momentum to improve in 4Q21F by 40% q-q with a turnaround in earnings growth of 45/25% in 2022-23F. Drivers are rising auto exports, the start of Seahorse's sea cargo business early next year, falling losses from NYKT due to rising product imports/exports for oil&gas projects through its C0 terminal, and the operating leverage effect. Depreciation accounted for 53% of total costs in 2020. We estimate Seahorse's loss to fall from Bt72m in 2021 to Bt16m in 2022F before turning to a Bt34m profit in 2023F. C0 terminal's loss sharing should decline from Bt26m in 2021F to Bt17m and Bt16m in 2022-23F, respectively.

Recovering auto exports

Thailand's auto exports recovered strongly from the first COVID wave, growing 35% y-y in 1H21. Then the global supply chain was hit and exports fell 15% and 16% m-m in July and August. Production started to rebound and exports were up 24% m-m in September with the trend continuing in October. According to Toyota, production should get back to normal in December 2021. We expect pent-up global demand to drive growth after that. We estimate auto export growth of 26/16/2% in 2021-23F. Having a 76% market share in the Roll-on/Roll-off auto terminal service in Thailand (80% of its total revenue), we estimate NYT's terminal revenue growth at 12/17/6% in 2021-23F.

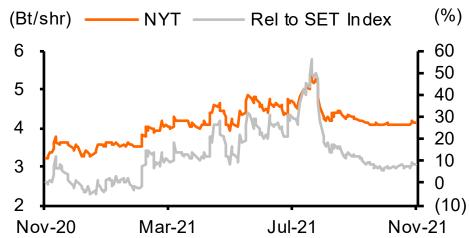
Potential upside from warehouse business

The warehouse business contributes 20% of NYT's revenues. Its existing leased space of 274,531 sq m in Laem Chabang and Rayong is fully occupied. Management plans to add leased space of 30,000-35,000 sq m (up by 11-13%) by the end of 2022 and a conclusion on this should be known by the end of this year. We still leave this as potential upside to our numbers.

COMPANY VALUATION

Y/E Dec (Bt m)	2020A	2021F	2022F	2023F
Sales	1,195	1,306	2,189	2,565
Net profit	229	235	340	426
Consensus NP	—	249	349	404
Diff frm cons (%)	—	*(5.7)*	*(2.5)*	*5.5*
Norm profit	234	235	340	426
Prev. Norm profit	—	247	338	435
Chg frm prev (%)	—	*(4.9)*	*0.7*	*(2.0)*
Norm EPS (Bt)	0.2	0.2	0.3	0.3
Norm EPS grw (%)	(37.8)	0.2	44.9	25.4
Norm PE (x)	22.1	22.1	15.2	12.2
EV/EBITDA (x)	4.8	5.1	4.0	3.4
P/BV (x)	1.6	1.6	1.6	1.6
Div yield (%)	4.8	4.5	6.6	8.2
ROE (%)	6.6	7.2	10.4	12.8
Net D/E (%)	(34.6)	(31.5)	(39.1)	(44.6)

PRICE PERFORMANCE



COMPANY INFORMATION

Price *as of* 16-Nov-21 (Bt)	4.18
Market Cap (US$ m)	158.5
Listed Shares (m shares)	1,240.0
Free Float (%)	40.9
Avg Daily Turnover (US$ m)	1.4
12M Price H/L (Bt)	5.45/3.20
Sector	Transportation
Major Shareholder	Nam Yuen Yong Shipping 25.2%

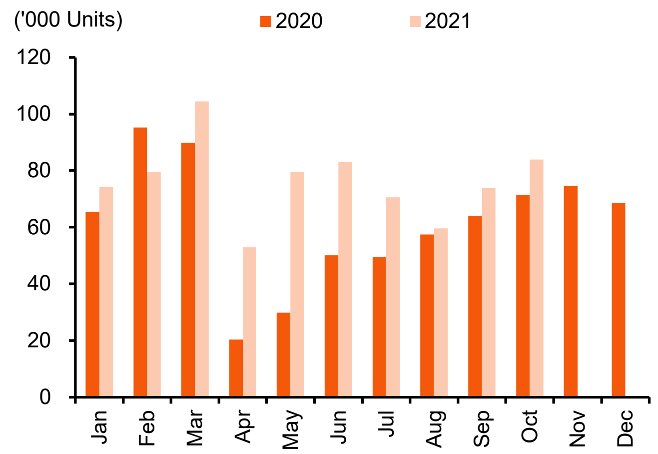
Sources: Bloomberg, Company data, Thanachart estimates

Ex 1: Changes In Our Key Assumptions And Earnings Revisions

	2019	2020	2021F	2022F	2023F	2024F
Thailand's auto exports (Units)						
- New	1,054,103	735,842	927,161	1,072,202	1,095,014	1,116,915
- Old			831,501	931,282	1,033,723	1,054,397
- Change (%)			*11.5*	*15.1*	*5.9*	*5.9*
Revenue from terminal service (Bt m)						
- New	1,129	878	981	1,149	1,217	1,260
- Old			910	1,031	1,157	1,202
- Change (%)			*7.7*	*11.4*	*5.2*	*4.9*
Equity income (Bt m)						
- New	(36)	(55)	(26)	(17)	(16)	(15)
- Old			(18)	(17)	(16)	(15)
- Change (%)			*n.a.*	—	—	—
Seahorse business' earnings (Bt m)						
- New	0	(4)	(72)	(16)	34	58
- Old			(65)	0	38	58
- Change (%)			*n.a.*	*n.a.*	*(11.3)*	—
Net profit (Bt m)						
- New	377	234	235	340	426	482
- Old			247	338	435	479
- Change (%)			*(4.9)*	*0.7*	*(2.0)*	*0.6*

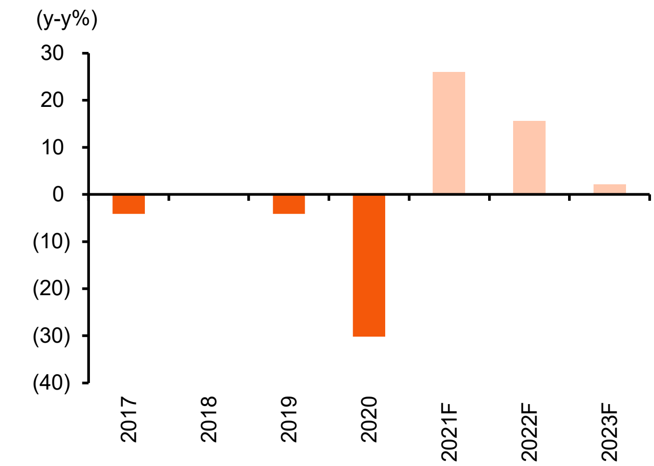
Sources: Company data, Thanachart estimates

Ex 2: Thailand's Monthly Auto Exports



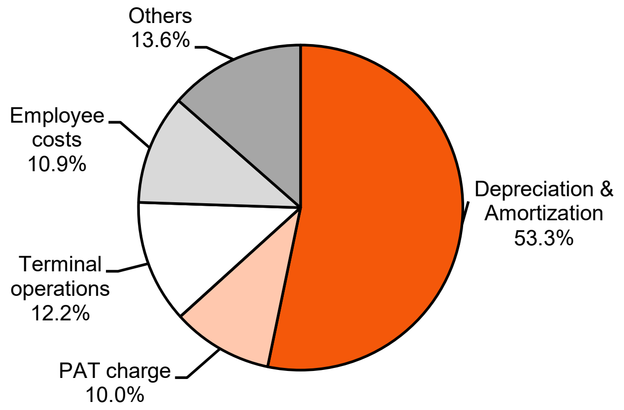
Source: The Federation of Thai Industries

Ex 3: Thailand's Yearly Auto Export Growth



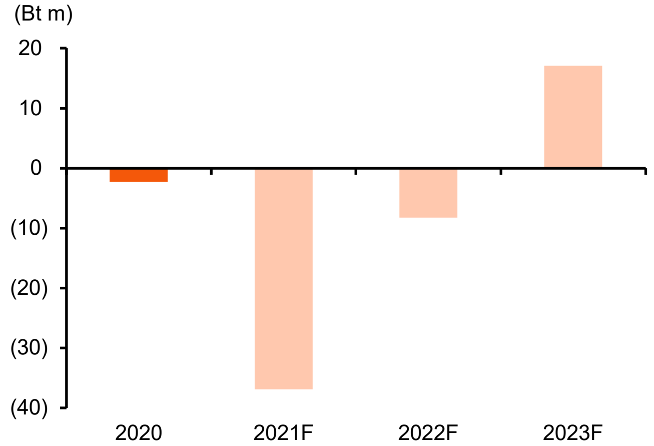
Sources: The Federation of Thai Industries, Thanachart estimates

Ex 4: Cost Structure In 2020



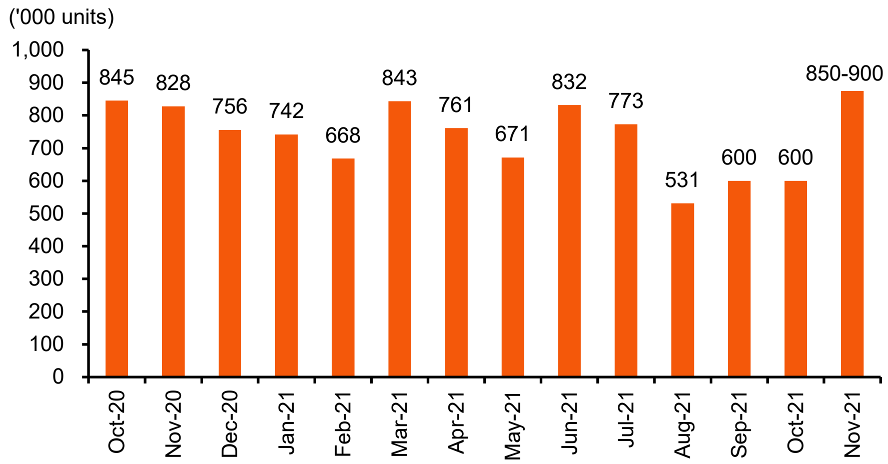
Source: Company data

Ex 5: Falling Losses From Seahorse



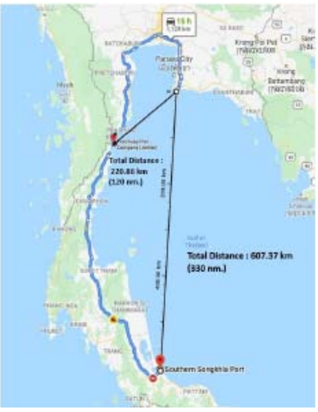
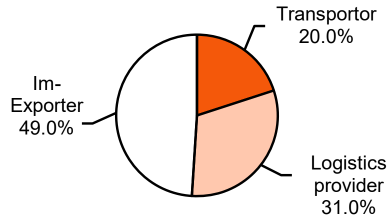
Sources: Company data, Thanachart estimates

Ex 6: Toyota's Production



Source: Toyota

Ex 7: Seahorse Ferries

Routes	Details	Target customers
	**Capacity** Passenger : 586 people Trucks : 80 units Cars : 20 units **Sattahip-Prachuap** Inland: Distance 530km, Time 11-12 hrs. Sea transport: Distance 120km, Time 7-8 hrs. **Sattahip-Songkhla** Inland: Distance 1,130km, Time 23-24 hrs. Sea transport: Distance 330km., Time 19-20 hrs. **Benefits** Faster, cheaper (transportation, labor and O&M) and better (environmental benefits, reduced accident risk and cutting traffic)	

Source: Company data

Ex 8: 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	983	1,087	1,152	1,191	1,217	1,242	1,269	1,297	1,325	1,355	1,400	–
Free cash flow	607	736	815	867	836	799	832	1,018	1,042	1,067	306	2,925
PV of free cash flow	605	590	585	548	471	401	372	406	370	324	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	5,542
Net debt (end-2021F)	(1,024)
Minority interest	4
Equity value	6,562
# of shares (m)	1,240
Target price/share (Bt)	**5.30**

Sources: Company data, Thanachart estimates

Valuation Comparison

Ex 9: 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)	5.7	6.3	0.5	0.5	9.6	10.0	7.6	6.7
Cosco Shipping Ports Ltd.	1199 HK	Hong Kong	0.8	8.3	57.2	52.9	3.6	3.4	14.2	13.1	0.7	0.8
Port of Tauranga Ltd.	POT NZ	New Zealand	(6.6)	14.1	49.3	43.2	4.0	3.4	31.0	28.2	1.9	2.0
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	0.2	44.9	22.1	15.2	1.6	1.6	5.1	4.0	4.5	6.6
Precious Shipping *	PSL TB	Thailand	na	30.0	7.2	5.5	1.9	1.4	5.8	3.9	0.0	0.0
Average			**16.7**	**6.9**	**27.2**	**24.0**	**1.9**	**1.8**	**13.4**	**12.7**	**14.9**	**15.0**

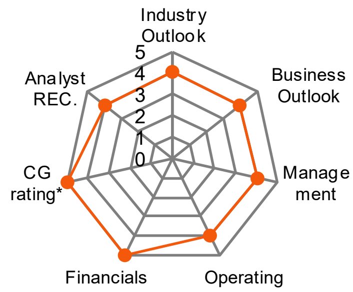
Sources: Company data, Thanachart estimates
Note: * Thanachart estimates, using normalized EPS.
Based on 16 Nov 2021 closing prices

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)	5.47	5.30	-3%
Net profit 21F (Bt m)	249	235	-6%
Net profit 22F (Bt m)	349	340	-3%
Consensus REC	**BUY: 3**	**HOLD: 0**	**SELL: 0**

HOW ARE WE DIFFERENT FROM THE STREET?

- Our earnings and TP are slightly 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 a 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 downside risk to our numbers.

Source: Thanachart

Auto recovery drives earnings

The concession for terminal A5 is extended for five years

INCOME STATEMENT

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
Sales	1,419	1,195	1,306	2,189	2,565
Cost of sales	782	621	737	1,419	1,663
Gross profit	**637**	**574**	**569**	**769**	**903**
% gross margin	44.9%	48.0%	43.6%	35.2%	35.2%
Selling & administration expenses	161	160	204	247	275
Operating profit	**476**	**414**	**365**	**522**	**628**
% operating margin	33.6%	34.7%	27.9%	23.9%	24.5%
Depreciation & amortization	207	429	456	461	459
EBITDA	**683**	**843**	**821**	**983**	**1,087**
% EBITDA margin	48.2%	70.6%	62.8%	44.9%	42.4%
Non-operating income	34	27	20	26	33
Non-operating expenses	9	(9)	13	0	0
Interest expense	(5)	(75)	(94)	(100)	(87)
Pre-tax profit	**515**	**357**	**304**	**448**	**574**
Income tax	102	69	79	99	115
After-tax profit	**412**	**288**	**225**	**349**	**459**
% net margin	29.1%	24.1%	17.2%	16.0%	17.9%
Shares in affiliates' Earnings	(36)	(55)	(26)	(17)	(16)
Minority interests	0	1	35	8	(16)
Extraordinary items	0	(6)	0	0	0
NET PROFIT	**377**	**229**	**235**	**340**	**426**
Normalized profit	**377**	**234**	**235**	**340**	**426**
EPS (Bt)	0.3	0.2	0.2	0.3	0.3
Normalized EPS (Bt)	0.3	0.2	0.2	0.3	0.3

BALANCE SHEET

FY ending Dec (Bt m)	2019A	2020A	2021F	2022F	2023F
ASSETS:					
Current assets:	1,737	1,420	1,333	1,625	1,863
Cash & cash equivalent	1,583	1,302	1,200	1,400	1,600
Account receivables	124	95	107	180	211
Inventories	0	3	4	8	9
Others	30	20	22	37	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	2,294	2,114	1,897
Total assets	**4,355**	**5,693**	**6,009**	**6,006**	**5,913**
LIABILITIES:					
Current liabilities:	286	382	431	545	571
Account payables	25	24	30	51	50
Bank overdraft & ST loans	0	0	0	0	0
Current LT debt	0	7	4	2	2
Others current liabilities	260	352	397	493	519
Total LT debt	**10**	**156**	**172**	**109**	**101**
Others LT liabilities	267	1,862	2,155	2,055	1,885
Total liabilities	**563**	**2,400**	**2,758**	**2,710**	**2,558**
Minority interest	0	40	4	(4)	13
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**	**449**	**501**	**545**
Shareholders' equity	3,792	3,254	3,247	3,300	3,343
Liabilities & equity	**4,355**	**5,693**	**6,009**	**6,006**	**5,913**

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	304	448	574
Tax paid	(102)	(72)	(77)	(81)	(108)
Depreciation & amortization	207	429	456	461	459
Chg In working capital	(42)	25	(7)	(56)	(33)
Chg In other CA & CL / minorities	(9)	90	16	46	(3)
Cash flow from operations	**568**	**829**	**691**	**817**	**889**
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	285	(166)	(197)
Cash flow from investments	**(691)**	**(496)**	**(565)**	**(266)**	**(297)**
Debt financing	(45)	152	13	(64)	(8)
Capital increase	0	0	0	0	0
Dividends paid	(372)	(620)	(241)	(287)	(383)
Warrants & other surplus	0	(147)	0	0	0
Cash flow from financing	**(417)**	**(614)**	**(229)**	**(351)**	**(392)**
Free cash flow	**502**	**534**	**591**	**717**	**789**

Inexpensive valuation, in our view

VALUATION

FY ending Dec	2019A	2020A	2021F	2022F	2023F
Normalized PE (x)	13.8	22.1	22.1	15.2	12.2
Normalized PE - at target price (x)	17.5	28.1	28.0	19.3	15.4
PE (x)	13.8	22.7	22.1	15.2	12.2
PE - at target price (x)	17.5	28.8	28.0	19.3	15.4
EV/EBITDA (x)	5.3	4.8	5.1	4.0	3.4
EV/EBITDA - at target price (x)	7.3	6.4	6.8	5.4	4.7
P/BV (x)	1.4	1.6	1.6	1.6	1.6
P/BV - at target price (x)	1.7	2.0	2.0	2.0	2.0
P/CFO (x)	9.1	6.3	7.5	6.3	5.8
Price/sales (x)	3.7	4.3	4.0	2.4	2.0
Dividend yield (%)	12.0	4.8	4.5	6.6	8.2
FCF Yield (%)	9.7	10.3	11.4	13.8	15.2
(Bt)					
Normalized EPS	0.3	0.2	0.2	0.3	0.3
EPS	0.3	0.2	0.2	0.3	0.3
DPS	0.5	0.2	0.2	0.3	0.3
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)	9.3	67.6	17.2
Net profit (%)	(7.0)	(39.3)	2.6	44.9	25.4
EPS (%)	(7.0)	(39.3)	2.6	44.9	25.4
Normalized profit (%)	(7.0)	(37.8)	0.2	44.9	25.4
Normalized EPS (%)	(7.0)	(37.8)	0.2	44.9	25.4
Dividend payout ratio (%)	164.7	108.5	100.0	100.0	100.0
Operating performance					
Gross margin (%)	44.9	48.0	43.6	35.2	35.2
Operating margin (%)	33.6	34.7	27.9	23.9	24.5
EBITDA margin (%)	48.2	70.6	62.8	44.9	42.4
Net margin (%)	29.1	24.1	17.2	16.0	17.9
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	3.9	5.2	7.2
Interest coverage - EBITDA (x)	144.4	11.3	8.7	9.8	12.5
ROA - using norm profit (%)	8.6	4.7	4.0	5.7	7.2
ROE - using norm profit (%)	9.9	6.6	7.2	10.4	12.8
DuPont					
ROE - using after tax profit (%)	10.9	8.2	6.9	10.7	13.8
- asset turnover (x)	0.3	0.2	0.2	0.4	0.4
- operating margin (%)	36.6	36.1	30.5	25.0	25.8
- leverage (x)	1.2	1.4	1.8	1.8	1.8
- interest burden (%)	99.1	82.7	76.4	81.8	86.8
- tax burden (%)	80.1	80.7	74.0	78.0	80.0
WACC (%)	11.7	11.7	11.7	11.7	11.7
ROIC (%)	22.2	15.1	12.8	18.3	25.0
NOPAT (Bt m)	382	334	270	407	502
invested capital (Bt m)	2,219	2,115	2,223	2,011	1,846

Sources: Company data, Thanachart estimates

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Thanachart Capital Public Company Limited (TCAP), Ratchthani Leasing Public Company Limited (THANI), TMB Public Company Limited, MBK PUBLIC COMPANY LIMITED (MBK) and PATUM RICE MILL AND GRANARY PUBLIC COMPANY LIMTED (PRG) are related companies to Thanachart Securities Public Company Limited (TNS) . Since TNS covers those securities in research report, consequently TNS incurs conflicts of interest.

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Recommendation Structure:

Recommendations are based on absolute upside or downside, which is the difference between the target price and the current market price. If the upside is 10% or more, the recommendation is BUY. If the downside is 10% or more, the recommendation is SELL. For stocks where the upside or downside is less than 10%, the recommendation is HOLD. Unless otherwise specified, these recommendations are set with a 12-month horizon. Thus, it is possible that future price volatility may cause a temporary mismatch between upside/downside for a stock based on the market price and the formal recommendation.

For sectors, an "Overweight" sector weighting is used when we have BUYs on majority of the stocks under our coverage by market cap. "Underweight" is used when we have SELLs on majority of the stocks we cover by market cap. "Neutral" is used when there are relatively equal weightings of BUYs and SELLs.

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