



LHN Logistics Ltd

Logistics partner in container and chemicals

SINGAPORE | LOGISTICS | IPO NOTE

23 April 2022

- Spin-off of logistics arm by parent company LHN Group (BUY, TP: S\$0.49).
- To raise 167.7mn shares, including 25.2mn placement shares, at S\$0.20 per share, to raise gross proceeds of S\$5mn. Post-IPO market cap will be S\$33.5mn.
- Two main segments, transportation and container depot services. Growth drivers include new ISO tank depot and expected recovery of container depot utilisation rates.

Company Background

LHN Logistics is a division of LHN Ltd. The company has two principal business segments, transportation (66% of FY21 revenue) and container depot services (34%).

Under the transportation segment, LHN Logistics provides domestic and cross-border ISO tank and container transportation services for various petrochemical products, base oils, bitumen and bulk cargo to customers in Singapore and Malaysia.

As for container depot services, the company provides container storage, surveying, cleaning, repair and maintenance services for general purpose and refrigerated containers.

Key Highlights

- Growth Driver 1: Construction of 7 Gul Avenue ISO tank depot.** ISO tanks are designed to transport chemicals, which the company does between major petrochemical industries located in Jurong Island, Pasir Gudang, Kuantan and Port Klang. This new ISO tank depot will integrate all services necessary for an ISO tank, including transportation, washing and storage. It provides convenience for customers and the ISO tank operators as it reduces number of procedures needed to utilise and maintain the tanks. Construction would commence in April 2022 and is expected to be completed within 12 months.
- Growth Driver 2: Expansion in container depot services and recovery.** LHN Logistics operates two container depots in Singapore - at Benoi Sector and Gul Circle - and two in Thailand, in Laem Chabang and in the vicinity of Bangkok. The company is undertaking preparatory works to establish an additional overseas container depot in Yangon, Myanmar. Growth drivers include the expected rebound in economic activity as the pandemic cases wane, which would push utilisation rates of container depots in Thailand up, and for the additional container depot in Yangon. Capacity of new depot in Yangon is about 6,000 TEUs, an increase of 22%.
- Attractive indicative dividend yield.** LHN Logistics intends to recommend and distribute dividends of not less than 40% of the Group's profit attributable to equity holders for FY22-24. Based on the IPO price of S\$0.20, FY21 EPS of 1.98 Scts and the post-placement share capital, the indicative dividend yield is 4%. This compares to other local listed logistics players with either no dividends distributed in FY21 or an average of 1.4%.

IPO Note

IPO Price SGD 0.20

COMPANY DATA

Bloomberg CODE:	-
Total shares (mn)	167.7
Placement shares (mn)	25.2
MARKET CAP (USD mn / SGD mn):	25 / 34

MAJOR SHAREHOLDERS

LHN Ltd	84.1%
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KEY FINANCIALS

Y/E Sep, SGD (mn)	FY19	FY20	FY21
Revenue	24.9	25.2	27.2
EBITDA	7.4	7.9	8.9
PATMI	3.8	2.9	3.3
EPS (SGD cents)	-	-	2.0
P/E (X)	-	-	10.1
Dividend Yield	-	-	4.0%
ROE	42.3%	25.1%	22.6%
ROA	18.3%	7.7%	8.8%

Source: Company, P.SR

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Customers:

- Transportation: ISO tank operators such as Stolt, Newport, Hoyer Group, Bertschi group and Bulkhaul.*
- Container depot: Container ship lines such as Mediterranean Shipping, APM Maersk, CMA CGM Group, COSCO Group and Hapag-Lloyd*

Key IPO Stats:

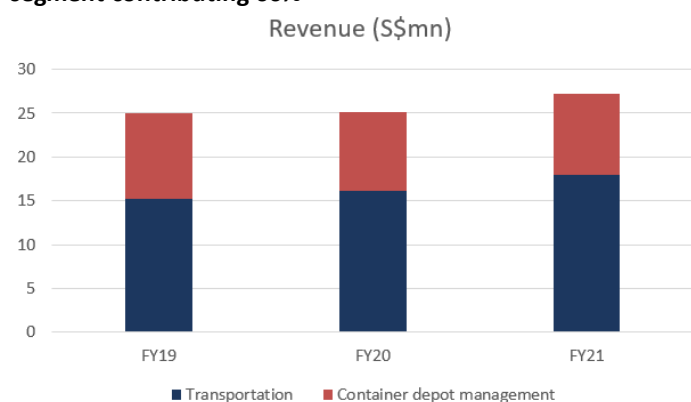
- **Total no. of shares:** 167.7mn
- **Placement Price:** S\$0.20
- **Placement shares:** 25.2mn
- **Gross proceeds:** S\$5.0mn
- **Placement date:** 27-29 April 2022
- **Trading date:** 9 am 29 April 2022

Outlook

Container depot services. Strong demand for logistics continues to fuel container volumes, even as supply chain issues gradually ease. On a 12-month moving average basis, container throughput in Singapore in February 2022 increased 1.6% to 3.12mn TEUs, while the volume at the Laem Chabang port increased 13.5% to 721k TEUs. The container depots in Thailand are expected to see recovery in volumes following the easing of Covid-19 restrictions.

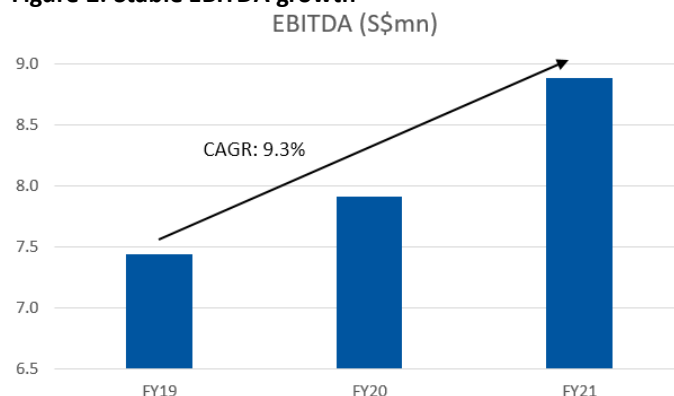
ISO tanks. Construction of the new ISO tank depot will provide a comprehensive range of solutions for customers, from transportation, to washing and storage. LHN Logistics will enjoy a first-mover advantage in integrating all these services in a single location.

Figure 1: Revenue grew at CAGR of 4.4%, with transportation segment contributing 66%



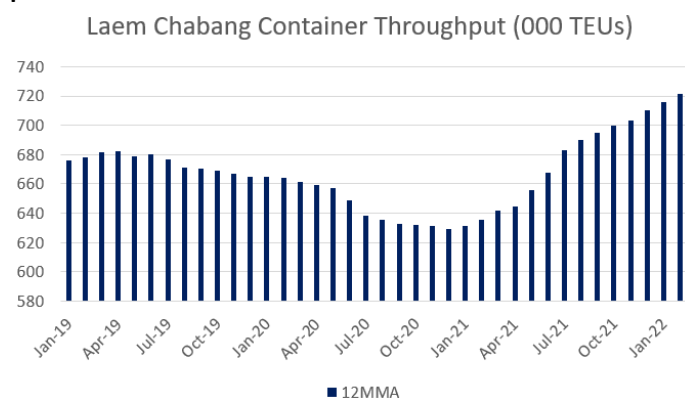
Source: Company, PSR

Figure 2: Stable EBITDA growth



Source: Company, PSR

Figure 3: Recovery in container throughput at Laem Chabang port in Thailand



Source: Company, PSR

Comparables

Figure 4: Indicative P/E of LHN Logistics lower than peer average, but attractive indicative dividend yield and ROE

Company	1 Mth Perf.	3 Mth Perf.	YTD Perf.	Currency	Share Px Local Crcy	Mkt. Cap. (US\$ m)	P/E Yr 0	P/E Yr 1	P/E Yr 2	P/B (x)	Dividend Yield	ROE	EV/ EBITDA (x)	Gearing	EBITDA Margin
Vibrant Group	-7.1%	-7.1%	-9.0%	SGD	0.09	46.0	20.0	n.a.	n.a.	0.27	1.1%	1.9%	4.8	95.7%	26.7%
Chasen Holdings	4.4%	1.4%	-1.4%	SGD	0.07	20.1	15.8	n.a.	n.a.	0.44	n.a.	3.9%	5.4	108.6%	13.6%
GKE Corporation	-1.8%	-5.3%	-14.3%	SGD	0.11	19.4	2.3	3.2	2.2	0.93	3.7%	10.1%	4.6	105.4%	29.8%
C&N Holdings	-11.5%	-48.6%	-47.6%	HKD	0.05	5.6	n.a.	n.a.	n.a.	0.35	n.a.	-17.7%	-4.3	11.5%	-5.5%
LHN Logistics					0.20	24.5	10.1					22.6%		80.7%	32.7%
	-3.3%	-6.3%	-7.8%		91		20.1	n.a.	n.a.	0.45	1.3%	2.9%	4.3	95.4%	22.5%

Source: Bloomberg (Closing prices as at 22 April 2022)

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