Cosco Shipping Int'l (Spore)

Bloomberg: COS SP | Reuters: COSCbi.SI

Refer to important disclosures at the end of this report

DBS Group Research . Equity

29 Apr 2022

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HOLD

(Initiating Coverage)
Last Traded Price (28 Apr 2022): S$0.24 (**STI :** 3,335.09)
Price Target 12-mth: S$0.26 (8% upside)

Potential Catalyst: Inorganic growth in logistics business

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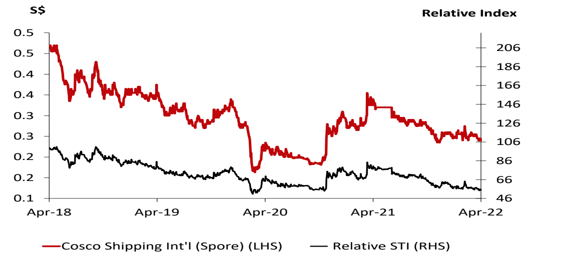
Price Relative



Forecasts and Valuation

FY Dec (S$m)	2020A	2021A	2022F	2023F
Revenue	186	198	196	212
EBITDA	53.9	62.9	63.7	67.0
Pre-tax Profit	11.9	34.5	17.2	18.0
Net Profit	8.34	30.1	12.6	13.2
Net Pft (Pre Ex.)	6.21	12.9	12.6	13.2
EPS (S cts)	0.37	1.34	0.56	0.59
EPS Pre Ex. (S cts)	0.28	0.58	0.56	0.59
EPS Gth (%)	13	261	(58)	4
EPS Gth Pre Ex (%)	19	108	(3)	4
Diluted EPS (S cts)	0.37	1.34	0.56	0.59
Net DPS (S cts)	0.0	0.0	0.0	0.0
BV Per Share (S cts)	24.4	26.1	26.7	27.3
PE (X)	64.5	17.8	42.6	40.8
PE Pre Ex. (X)	86.5	41.5	42.6	40.8
P/Cash Flow (X)	8.3	9.2	8.9	8.9
EV/EBITDA (X)	19.6	17.0	16.5	15.4
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	1.0	0.9	0.9	0.9
Net Debt/Equity (X)	0.5	0.4	0.4	0.3
ROAE (%)	2.8	10.0	4.1	4.3

GIC Industry : Industrials
GIC Sector: Transportation
Principal Business: COSCO SHIPPING International (Singapore) Co., Ltd. provides logistics services. The Company's business portfolio includes Logistics, Dry Bulk Shipping, Ship Repair and Marine Engineering, as well as Property Management.

Source of all data on this page: Company, DBS Bank, Bloomberg Finance L.P.

Watch for inorganic growth

- Initiate with HOLD and TP of S$0.26
- Well positioned in the logistics business as one of Singapore's largest one-stop logistics service providers
- Upside to earnings could come from acquisitions given that the company has a strong balance sheet
- Current price appears fairly valued at 0.9x FY22F P/B

Initiate coverage with HOLD and TP of S$0.26. COSCO SHIPPING International (Singapore) currently trades at 0.9x FY22F P/B, 1SD below its five-year mean, which is fairly valued given a projected FY22F ROE of 4.1% and a peer average P/B of 1.0x against an average ROE of 7.0%.

Well-positioned in the logistics business. The company is one of Singapore's largest one-stop logistics service providers, which presents a superior supply chain process. Going forward, demand for warehouse space in Singapore should be robust, in line with the economic recovery in 2022 and continued expansion of the logistics sector. Cogent's warehouses are currently operating above optimal capacity, but an upside to earnings could come from acquisitions.

Three things to watch: 1) Expansion plans in the logistics segment supported by a strong balance sheet, 2) prospects for the property management segment after the final extension of the lease for The Grandstand expires in December 2023, and 3) the start of dividend payouts.

Valuation:
Initiate with HOLD and TP of S$0.26, pegged to 1.0x FY22F P/B, representing slightly less than 1SD below the five-year mean, and against a projected FY22F ROE of 4.1%.

Key Risks to Our View:
Global economic slowdown, supply chain disruptions, and interest rate risks.

At A Glance

Issued Capital (m shrs)	2,239
Mkt. Cap (Sm/USm)	537 / 389
Major Shareholders (%)	
China Ocean Shipping Group Co.	53.4
Free Float (%)	46.6
3m Avg. Daily Val (US$m)	0.29

ed: BM/ sa: YM, PY, CS

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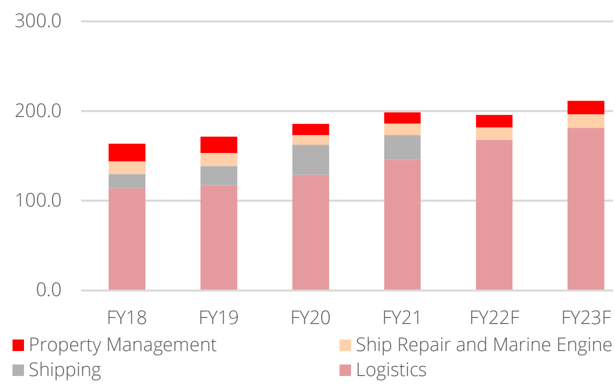
Investment Summary

Initiate with HOLD; TP of S$0.26 for a 6% upside. We believe COSCO SHIPPING International (Singapore) is a HOLD at the current prices. Our TP is pegged to 1.0x FY22F P/B, which is slightly less than 1SD below its five-year mean. We have also cross-checked our valuation using the Discounted Cash Flow (DCF) valuation method, which yields a similar value of S$0.24.

Growth in FY22F revenue will be more than offset by the partial disposal of the shipping company. Our FY22F top-line revenue projection falls slightly, by 1.4% y-o-y to S$195.7m from S$198.5m in FY21, despite growth in the remaining three business segments, as the shipping segment is now equity-accounted as an associate (40% stake). In FY21, the shipping segment contributed S$27.4m to revenue.

FY18-FY23F revenue breakdown (S$m)



Source: Company, DBS Bank Estimates

Tapering of government support measures to impact profitability. The company received S$12.4m in government grants in FY20 and S$4.9m in FY21 under the Jobs Support Scheme (JSS), COVID-19-related rent concessions, etc. We expect this to taper further into FY22F and FY23F, given the improving pandemic situation in Singapore. Hence, we forecast that the company would receive only c.S$3m and c.S$2m in government grants in FY22F and FY23F, respectively, thereby weighing on earnings.

Key competitive edge lies in its position as one of Singapore's largest one-stop logistics services providers. The Cogent 1.Logistics Hub consolidates its full suite of logistics operations – warehousing, container depot, automotive logistics, and transport management – within one facility.

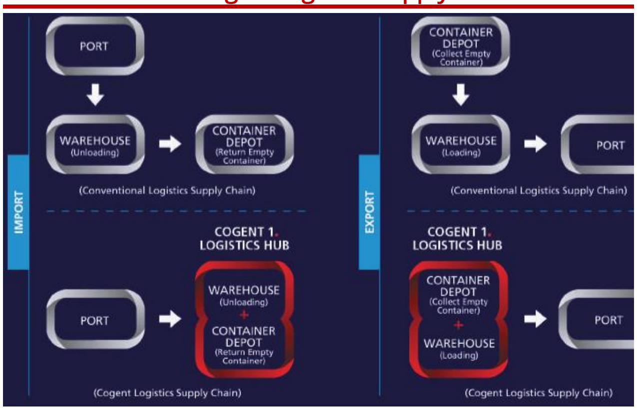
The hub has a Gross Floor Area (GFA) of c.1.6m sqft, comprising warehouse space purpose-built to store NEA-controlled, flammable materials and cargo, as well as a patented rooftop container depot capable of storing 16,000 TEUs of empty containers. It is also strategically located close to Jurong Port and Jurong Island to facilitate quicker and smoother transportation.

Unique layout of Cogent 1.Logistics Hub

Source: Cogent Sales Brochure

By integrating the supply chain, productivity is heightened, as the transport cycle and waiting time are shortened. This brings about time and cost savings for its customers as compared to the typical supply chain where the warehouse and container depots are at different locations.

Conventional vs. Cogent logistics supply chain

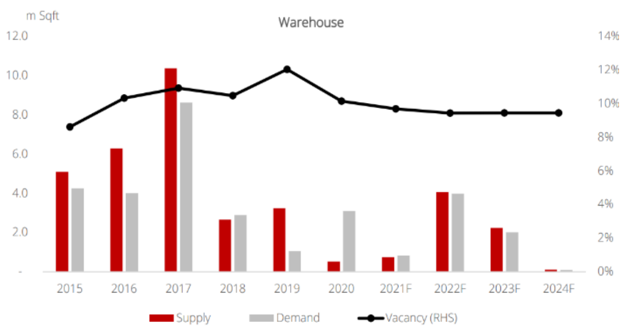


Source: Cogent Sales Brochure

Cogent's warehouses operating above optimal capacity, but an upside to earnings could come from acquisitions. The occupancy levels at the warehousing facilities are currently c.85%-100% on average, which is above the optimal level. The company has not announced any expansion plans, although the management has shared that they will look for value-accretive opportunities, in line with the company's vision of becoming the best integrated shipping and logistics service provider in South and Southeast Asia. The company is well positioned for inorganic growth, given its strong balance sheet with S$100m in cash and 0.44x net debt-to-equity in FY21.

Outlook on warehousing in Singapore looks positive. Singapore is a major logistics hub, ranked first in the world for logistics competence and timeliness of services, and second in Asia on the World Bank's Logistics Performance Index 2018. According to JTC, the occupancy rate for the warehouse segment stood at 90.0% for 4Q21, while rents grew 2.7% y-o-y. Going forward, demand for warehousing space in Singapore should be robust, in line with the economic recovery in 2022 and the continued expansion in the logistics sector. Coupled with the low supply of warehousing spaces that are coming onstream, overall warehouse occupancy and rental rates are expected to remain firm. Further, Singapore is one of the top oil trading and refining hubs in the world and Cogent has capabilities to support the OPEC industry. Hence, we should see continued demand from Cogent's petrochemical customers.

Outlook for warehouse segment



Source: JTC Corporation, Urban Redevelopment Authority, DBS Bank

Property management prospects uncertain after 2023. Cogent manages The Grandstand, a one million sqft shopping and lifestyle hub located at Bukit Timah, which makes up the majority of property management segment revenue. In FY21, this segment contributed S$12.5m, c.6% of total revenue. Prospects are uncertain after the final extension of the lease expires on 31 December 2023, as the company has not announced any continuity plans.

Ship repair and marine engineering segment to remain stable. The company has expanded its operations beyond Singapore, Malaysia, and Indonesia to also Philippines, Vietnam, Thailand, Sri Lanka, India, and Bangladesh. Revenue from ship repair and marine engineering increased by 18% y-o-y to $12.6m, mainly due to higher revenue from ship repair and fabrication works, and we expect stable growth in this segment.

No dividend payouts for the last seven years. The company does not have a specific dividend policy. No dividends have been declared since the last dividend payout in 2014. Management shared that as they are currently evaluating strategic moves to expand the business, they are not paying out dividends to shareholders.

Key risks:

1. **Supply chain disruption.** The global supply chain continues to be extremely vulnerable to COVID-19 outbreaks or any other disruptions.

2. **Increase in fuel costs.** Any significant increase in fuel prices will lead to an increase in costs for the company, given that the logistics business is transportation heavy and fuel intensive.

3. **Leasehold land expiry.** Non-renewals or termination of land leases could be a risk to the long-term usage of the land.

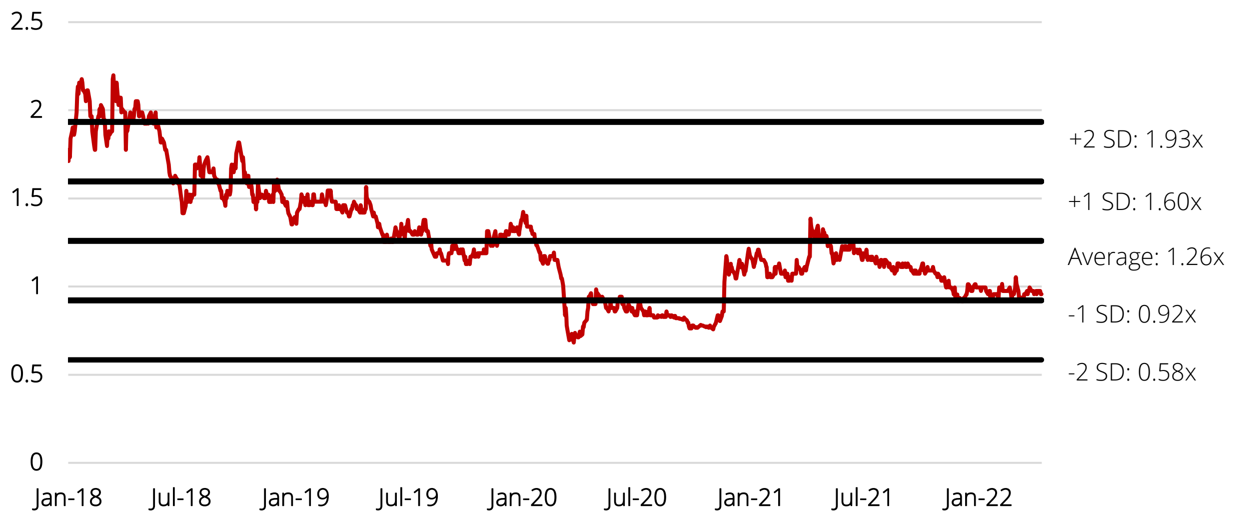
4. **Interest rate risks.** With only 32% of debt fixed, the company will be subject to higher interest rates for a large portion of its borrowings.

Valuation & Peer Comparison

TP of S$0.26 based on Price-to-Book (P/B valuation). COSCO SHIPPING International (Singapore) currently trades at 0.9x FY22F P/B, 1SD below its five-year average of 1.3x, which is fairly valued. Our target price is based on the FY22F P/B of 1.0x, which is slightly less than 1SD below the five-year average, against a projected FY22F ROE of 4.1%.

Peer comparison. COSCO SHIPPING International (Singapore) trades at a premium compared to its peers. Peers' average P/B stands at 1.0x against an average ROE of 7.0%, while the company's current P/B is at 0.9x and our TP represents FY22F P/B of 1.0x projected against FY22F ROE of 4.1%.

Price-to-Book (P/B) band of COSCO SHIPPING International (Singapore)



Source: Bloomberg Finance L.P., DBS Bank Estimates

Peer comparison (as of 13 Apr 2022)

Company	Market Cap (US$m)	P/E (x) CY22F	P/E (x) CY23F	P/E (x) 12M Trailing	P/B (x) CY22F	P/B (x) CY23F	P/B (x) 12M Trailing	ROE (%) CY22F	ROE (%) CY23F
Vibrant Group	47.7	nm	nm	15.5	nm	nm	0.3	nm	nm
CWT International	113.4	nm	nm	4.3	nm	nm	0.2	nm	nm
Marco Polo Marine Ltd	75.2	29.0	29.0	6.9	1.0	0.7	0.9	4.4	5.5
Mapletree Logistics Trust	6382.6	21.2	20.7	16.6	1.3	1.3	1.4	6.0	6.1
Frasers Logistics & Commercial Trust	3897.4	15.4	19.3	7.1	1.1	1.1	1.2	7.3	6.1
Daiwa House Logistics Trust	420.7	24.3	23.6	35.4	0.9	0.9	0.9	4.9	5.2
GKE Corp Ltd	63.1	6.9	5.8	9.7	0.9	0.7	1.0	12.3	13.2
Average					1.0			7.0	
COSCO SHIPPING International (Singapore)	402.3	51.3	50.4	18.5	0.9	0.9	0.9	4.1	4.3

Source: Bloomberg Finance L.P., DBS Bank Estimates

Using the discounted cash flow (DCF) valuation method as an added support, we derive a value of S$0.24 for COSCO SHIPPING International (Singapore). We have assumed a normalised risk-free rate of 2.5%, SG market return of 10.0%, and a beta of 0.7x. The 6.1% WACC reflects a 7.8% cost of equity and a 3.5% after-tax cost of debt. Based on a 1.0% terminal growth rate, we derive a value of S$0.24, which is similar to our 1.0x FY22F P/B valuation of S$0.26.

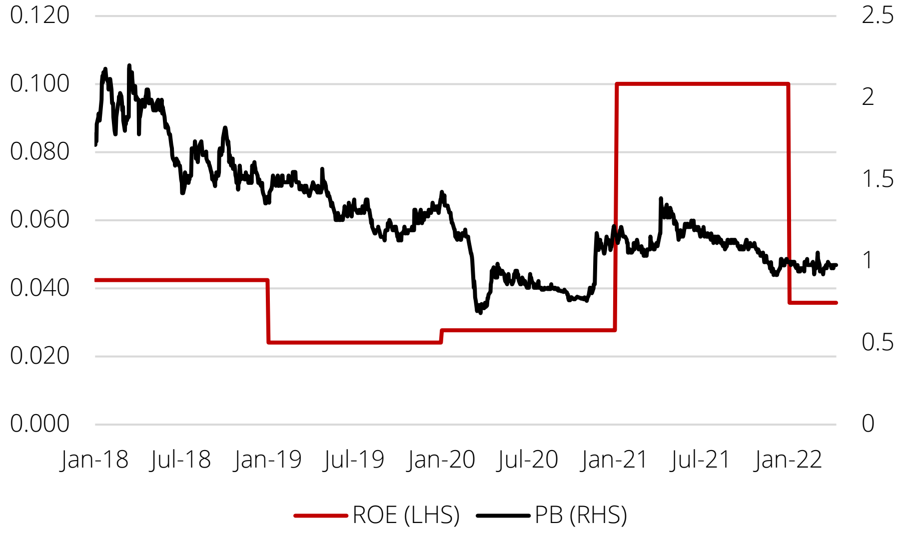
DCF valuation

FY Dec (S$m)	FY22F	FY23F	Terminal Value
Operating Profit	20.7	21.2	
Depreciation	37.7	40.4	
Tax Provision	-4.0	-4.1	
Capex	-30.0	-30.0	
Chngs to Wkg Cap	4.3	0.5	
FCF to the Firm	28.7	28.0	753.4
PV of FCF	68.4		
PV of Terminal Value	710.0		
Net Cash (Debt)	-251.1		
Equity Value (S$m)	**527.3**		
Equity Value Per Share (S$)	**0.24**		
Cost of Equity (Ke)	7.8%		
% debt financing	38.4%		
After-tax cost of debt	3.5%		
WACC	6.1%		
Terminal growth	1.0%		

Source: DBS Bank Estimates

Critical Factor

COSCO SHIPPING International (Singapore)'s P/B vs. ROE



Source: Bloomberg Finance L.P., DBS Bank

Remarks

We believe an improvement in ROE will be the critical factor for the P/B multiple and share price re-rating, as investors are inclined to pay higher P/B multiples for a company that is more efficient at using shareholders' equity to generate profit.

With an FY22F ROE of 4.1%, we think that it is fairly valued at 0.9x P/B. Our TP of S$0.26 is pegged to 1.0x FY22F P/B, which is slightly less than 1SD below the five-year mean of 1.3x.

Key Risks

Country risks. COSCO SHIPPING International (Singapore) is exposed to country risks including economic changes, political changes, or policy changes in Singapore, where it derives most of its revenue from, as well as Malaysia.

Global economic slowdown. As economies are increasingly interdependent and are also affected by the global economic landscape, a weakening of the global economy might result in a downturn in the economies of the countries in which COSCO SHIPPING International (Singapore) operates. A deterioration of global economic conditions can result in lower demand and volume of logistics activities, negatively impacting the business and its earnings.

Supply chain disruption. The global supply chain continues to be extremely vulnerable to COVID-19 outbreaks or any other disruptions. The flow of logistics could be limited by the ongoing congestion and backlog at ports, creating potential bottlenecks.

Increase in fuel prices. Any significant increase in fuel prices will lead to an increase in costs for the company, given that the logistics business is transportation heavy and fuel intensive. In FY21, fuel and utility costs grew by 32% y-o-y to S$10.7m (6% of total expenses) from S$8.2m (4% of total expenses) in FY20.

Leasehold land expiry. While the majority of the land lease tenures are long term, non-renewals or termination of these land leases could be a risk to COSCO SHIPPING International (Singapore)'s long-term usage of the land.

Interest rate risks. If interest rates continue to rise, this may have a negative impact on COSCO SHIPPING International (Singapore)'s borrowing costs and profitability. Currently, only 32% of debt is fixed, which implies that the company will be subject to higher interest rates for a large portion of its borrowings.

SWOT Analysis

Strengths	Weaknesses
• **One of Singapore's largest one-stop, integrated logistics service providers with a track record of over 40 years.** The Cogent One-Stop Logistics Hub provides a full suite of services within a single facility. It also has the world's first and only container depot located on its rooftop, making it space and time efficient. The warehouses are located within close proximity to container terminals and seaports, which is a geographical advantage. • **Established parent company, a state-owned enterprise in the People's Republic of China.** COSCO Shipping Corporation Limited is a state-owned enterprise established in the People's Republic of China ("PRC"). It is China's largest shipping group and one of the top shipping conglomerates in the world. • **Experienced management team**. The key management team brings vast skills, extensive knowledge, and experience to the table. Having worked in the industry for many years, the team is well positioned to take the company to greater heights. The Chairman, Zhu Jian Dong, also sits on the Board of Directors.	• **No dividend payout.** The company does not distribute dividends to its shareholders. • **Approaching full capacity at warehouses.** The occupancy levels at the warehousing facilities are c.85%-100% on average, which is above the optimal level. The company has not announced any expansion plans. • **Concentration risk in property management segment.** The company rents out office units in Suntec City to only one key tenant, which can lead to a decline in revenue if the lease is not renewed or if the company is unable to source suitable replacement tenants.

Opportunities	Threats
• **Leveraging on parent company.** The company will be able to capitalise on the experience and existing logistics business platform of its established parent company to potentially develop new business opportunities in the logistics sector in South and Southeast Asia. • **Various initiatives to drive the industry forward.** The Master Plan on ASEAN Connectivity 2025 seeks to enhance trade routes and logistics, improve speed and reliability of supply chains, and lower supply chain costs in each member state. Singapore's Sea Transport Industry Transformation Map (ITM) aims to strengthen Singapore's position as a leading logistics hub globally and grow the sector's real value addition by $4.5bn by 2025. These plans could create opportunities for the company.	• **Supply chain disruption.** With persistent stress on the vulnerable global supply chain due to Covid-19 and other factors, the shortage of containers could lead to a delay in the delivery of goods. • **Labour shortage.** A new wave of Covid-19 could cause a manpower crunch in the logistics segment, resulting in lower productivity and efficiency. • **Slowdown in global economic growth**. This could weigh on consumption and businesses, as well as cause prolonged depressed rents and occupancies.

Source: DBS Bank

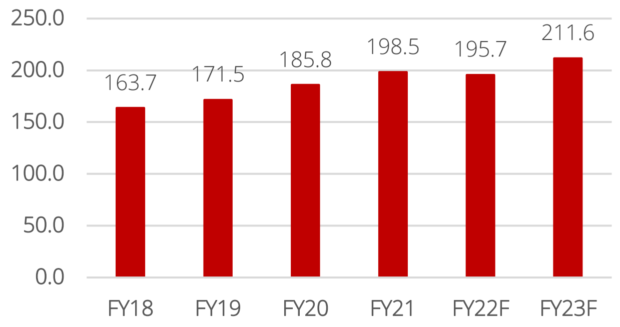
Financials

Revenue. COSCO SHIPPING International (Singapore)'s revenue has been on an upward trend from FY18 to FY21, as the increase in revenue from its core logistics segment and the shipping segment more than offset the decline in the ship repair and marine engineering segment and property management segment. The revenue from the logistics segment, of S$146.0m, contributed 74% to the FY21 total revenue of S$198.5m.

FY21 revenue of S$198.5m grew 7% y-o-y from S$185.8m in FY20. This is mainly due to higher revenue from logistics and ship repair and marine engineering activities, partially offset by lower revenue from shipping and property management.

We are projecting a 1.4% y-o-y decline in FY22F revenue due to the partial disposal of the shipping company, which will be equity-accounted as an associate from FY22F onwards, despite low double-digit revenue growth in all three business segments. The estimated 8.2% y-o-y improvement in revenue in FY23F is driven by high single-digit revenue growth assumption for the three business segments.

Revenue from FY18-FY23F (S$m)



Source: Company, DBS Bank Estimates

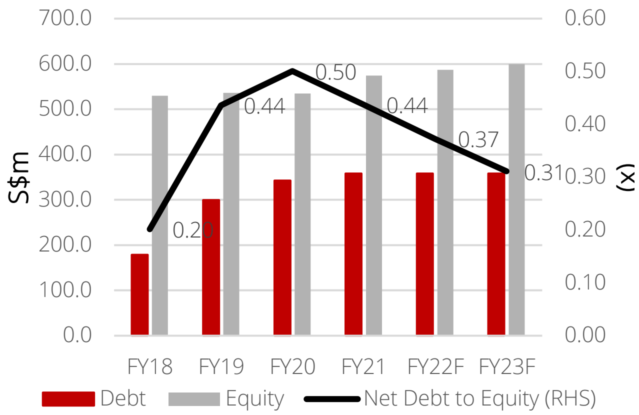
Other operating income. Out of S$13.3m and S$5.7m in other operating income in FY20 and FY21, respectively, a large portion was from government grants. The company received S$12.4m in FY20 and S$4.9m in FY21 under the Jobs Support Scheme (JSS), as Covid-19-related rent concessions, etc. We believe this will taper further into FY22F and FY23F, given the improving pandemic situation in Singapore. Hence, we forecast the company would receive only c.S$2m and c.S$1m in government grants in FY22F and FY23F, respectively, weighing on earnings.

Expenses. Staff costs and depreciation of property, plant, and equipment (PPE) were the largest cost components, at 24% and 17% of total FY21 revenue respectively. Distribution and administrative expenses increased by 22% y-o-y to S$3.1m and 8% y-o-y to S$27.5m, respectively, in FY21 due to higher staff costs for marketing and corporate functions.

Profitability. Net profit attributable to equity holders was $30.1m in FY21, 261% higher y-o-y from S$8.3m in FY20, mainly due to the S$16.4m gain from the disposal of the 60% equity interest in the shipping company. We expect net profit to normalise going forward, hence our forecasts stand at S$12.6m and S$13.2m for FY22F and FY23F, respectively.

Strong balance sheet. The group is in a healthy financial position with net debt of S$250.2m in FY21, which came down slightly from S$266.5m in FY20 as repayments were made during the year. Net debt-to-equity declined to 0.44x in FY21 from 0.50x in FY20, and we project further declines to 0.37x in FY22F and 0.31x in FY23F.

Borrowings vs. shareholders' equity



Source: Company, DBS Bank Estimates

No dividend payouts for last seven years. The company does not have a specific dividend policy. No dividends have been declared since the last dividend payout in 2014. Management shared that as they are currently evaluating strategic moves to expand the business, they are not paying out dividends to shareholders.

Key Assumptions

FY Dec	2018A	2019A	2020A	2021A	2022F	2023F
Revenue growth for Logistics segment (%)	0.0	2.69	10.1	13.1	15.0	8.00
Revenue growth for Property Management segment (%)	3,332	(6.8)	(30.0)	(1.6)	10.1	9.02
Revenue growth for Ship Repair & Marine Engineering segment (%)	47.5	(0.3)	(26.7)	17.6	12.0	9.00

Segmental Breakdown

FY Dec	2018A	2019A	2020A	2021A	2022F	2023F
Revenues (S$m)						
Logistics	114	117	129	146	168	181
Dry Bulk Shipping	15.5	21.6	33.4	27.4	0.0	0.0
Property Management	14.6	14.5	10.7	12.5	14.0	15.3
Ship Repair & Marine Engineering	19.5	18.1	12.7	12.5	13.7	15.0
Total	164	171	186	198	196	212

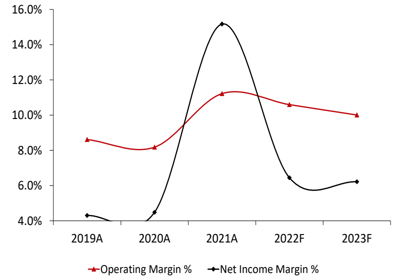
Source: Company, DBS Bank

Income Statement (S$m)

FY Dec	2018A	2019A	2020A	2021A	2022F	2023F
Revenue	164	171	186	198	196	212
Cost of Goods Sold	(122)	(132)	(156)	(151)	(148)	(160)
Gross Profit	41.6	39.9	30.1	47.2	47.9	51.8
Other Opng (Exp)/Inc	(25.0)	(25.1)	(14.9)	(24.9)	(27.2)	(30.7)
Operating Profit	16.6	14.8	15.2	22.3	20.7	21.2
Other Non Opg	0.0	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	2.13	2.04	1.88	2.41	5.24	5.34
Net Interest (Exp)/Inc	(7.9)	(8.3)	(7.3)	(7.3)	(8.7)	(8.5)
Exceptional Gain/(Loss)	6.19	2.16	2.13	17.2	0.0	0.0
Pre-tax Profit	16.9	10.6	11.9	34.5	17.2	18.0
Tax	(3.7)	(2.9)	(2.8)	(3.7)	(4.0)	(4.1)
Minority Interest	(0.2)	(0.3)	(0.7)	(0.7)	(0.7)	(0.7)
Preference Dividend	0.0	0.0	0.0	0.0	0.0	0.0
Net Profit	13.0	7.38	8.34	30.1	12.6	13.2
Net Profit before	6.79	5.22	6.21	12.9	12.6	13.2
EBITDA	43.7	53.4	53.9	62.9	63.7	67.0
Growth						
Revenue Gth (%)	340.1	4.8	8.4	6.8	(1.4)	8.1
EBITDA Gth (%)	(62.4)	22.2	0.8	16.7	1.3	5.2
Opg Profit Gth (%)	(588.3)	(10.8)	2.9	46.5	(6.9)	2.1
Net Profit Gth (Pre-ex)	(94.4)	(23.1)	19.0	108.5	(2.6)	4.3
Margins & Ratio						
Gross Margins (%)	25.4	23.3	16.2	23.8	24.5	24.5
Opg Profit Margin (%)	10.1	8.6	8.2	11.2	10.6	10.0
Net Profit Margin (%)	7.9	4.3	4.5	15.2	6.4	6.2
ROAE (%)	4.2	2.4	2.8	10.0	4.1	4.3
ROA (%)	1.9	0.8	0.8	2.9	1.2	1.2
ROCE (%)	(0.2)	(0.4)	(0.1)	0.6	0.4	0.4
Div Payout Ratio (%)	0.0	0.0	0.0	0.0	0.0	0.0
Net Interest Cover (x)	2.1	1.8	2.1	3.0	2.4	2.5

Source: Company, DBS Bank

Margin Trend



Interim Income Statement (S$m)

FY Dec	1H1H	2H2019	1H2020	2H2020	1H2021	2H2021
Revenue	80.2	91.3	86.3	99.6	94.9	104
Cost of Goods Sold	(61.5)	(70.1)	(75.6)	(80.2)	(71.5)	(79.8)
Gross Profit	18.7	21.2	10.7	19.4	23.4	23.8
Other Oper. (Exp)/Inc	(11.8)	(13.3)	(6.4)	(8.5)	(12.2)	(12.7)
Operating Profit	6.90	7.88	4.28	10.9	11.2	11.1
Other Non Opg	0.0	0.0	0.0	0.0	0.0	0.0
Associates & JV Inc	0.93	1.11	1.02	0.86	1.37	1.04
Net Interest (Exp)/Inc	(4.1)	(4.2)	(4.0)	(3.4)	(3.5)	(3.8)
Exceptional Gain/(Loss)	2.30	(0.1)	1.41	0.72	0.35	16.8
Pre-tax Profit	6.02	4.62	2.75	9.12	9.43	25.1
Tax	(1.3)	(1.6)	(1.1)	(1.7)	(2.2)	(1.5)
Minority Interest	(0.1)	(0.2)	(0.3)	(0.5)	(0.4)	(0.3)
Net Profit	4.61	2.77	1.42	6.92	6.83	23.3
Net profit bef Except.	2.32	2.91	0.01	6.20	6.48	6.47
EBITDA	17.6	35.8	24.1	29.8	30.3	32.5
Growth						
Revenue Gth (%)	(3.4)	13.8	(5.5)	15.4	(4.7)	9.2
EBITDA Gth (%)	(20.1)	103.5	(32.7)	23.3	2.0	7.2
Opg Profit Gth (%)	(23.1)	14.3	(45.7)	155.2	2.7	(1.5)
Net Profit Gth (%)	(40.2)	(39.9)	(48.9)	389.2	(1.3)	240.8
Margins						
Gross Margins (%)	23.3	23.2	12.4	19.5	24.7	23.0
Opg Profit Margins (%)	8.6	8.6	5.0	11.0	11.8	10.7
Net Profit Margins (%)	5.7	3.0	1.6	7.0	7.2	22.5

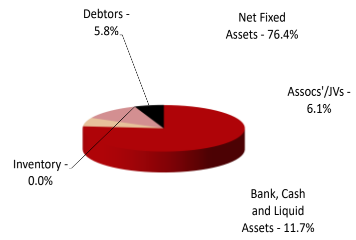
Source: Company, DBS Bank

Balance Sheet (S$m)

FY Dec	2018A	2019A	2020A	2021A	2022F	2023F
Net Fixed Assets	550	672	719	696	689	678
Invts in Associates & JVs	15.2	16.2	16.7	55.3	48.0	40.6
Other LT Assets	148	150	163	161	161	161
Cash & ST Invts	71.6	66.0	75.0	107	140	172
Inventory	0.66	0.86	0.81	0.33	0.55	0.60
Debtors	35.5	40.9	43.5	53.0	47.5	51.4
Other Current Assets	2.21	2.35	1.33	1.07	1.07	1.07
Total Assets	823	948	1,019	1,074	1,086	1,104
ST Debt	25.7	32.3	31.9	72.0	72.0	72.0
Creditor	48.1	49.0	54.3	53.2	52.3	56.7
Other Current Liab	5.23	3.05	3.03	4.92	4.92	4.92
LT Debt	153	267	311	286	286	286
Other LT Liabilities	60.1	58.2	73.3	71.9	71.9	71.9
Shareholder's Equity	530	536	535	574	587	600
Minority Interests	1.48	1.91	10.4	11.1	11.7	12.4
Total Cap. & Liab.	823	948	1,019	1,074	1,086	1,104
Non-Cash Wkg. Capital	(15.0)	(8.0)	(11.7)	(3.8)	(8.1)	(8.6)
Net Cash/(Debt)	(107)	(234)	(268)	(251)	(219)	(187)
Debtors Turn (avg days)	384.6	81.2	82.8	88.7	93.7	85.3
Creditors Turn (avg	178.3	186.5	158.5	173.5	175.1	166.8
Inventory Turn (avg	1.6	2.9	2.6	1.8	1.5	1.8
Asset Turnover (x)	0.2	0.2	0.2	0.2	0.2	0.2
Current Ratio (x)	1.4	1.3	1.4	1.2	1.5	1.7
Quick Ratio (x)	1.4	1.3	1.3	1.2	1.4	1.7
Net Debt/Equity (X)	0.2	0.4	0.5	0.4	0.4	0.3
Net Debt/Equity ex MI	0.2	0.4	0.5	0.4	0.4	0.3
Capex to Debt (%)	14.8	20.2	8.8	7.1	8.4	8.4

Source: Company, DBS Bank

Asset Breakdown

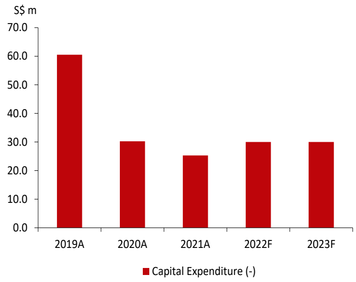


Cash Flow Statement (S$m)

FY Dec	2018A	2019A	2020A	2021A	2022F	2023F
Pre-Tax Profit	13.2	7.71	9.07	30.8	17.2	18.0
Dep. & Amort.	25.0	36.6	36.8	38.2	37.7	40.4
Tax Paid	(6.4)	(5.0)	(0.9)	(3.5)	(4.0)	(4.1)
Assoc. & JV Inc/(loss)	(2.1)	(2.0)	(1.9)	2.41	5.24	5.34
Chg in Wkg. Cap.	(21.2)	(5.5)	8.26	(6.4)	4.27	0.50
Other Operating CF	6.87	20.0	13.5	(3.0)	0.0	0.0
Net Operating CF	15.4	51.8	64.8	58.5	60.5	60.1
Capital Exp. (net)	(26.3)	(60.5)	(30.2)	(25.3)	(30.0)	(30.0)
Other Invts. (net)	(1.8)	0.0	0.0	0.0	0.0	0.0
Invts in Assoc. & JV	(14.0)	(0.4)	0.0	0.0	0.0	0.0
Div from Assoc & JV	0.0	0.0	0.0	2.01	2.01	2.01
Other Investing CF	29.1	(3.9)	(23.5)	20.4	0.0	0.0
Net Investing CF	(13.0)	(64.9)	(53.8)	(2.8)	(28.0)	(28.0)
Div Paid	0.0	0.0	0.0	0.0	0.0	0.0
Chg in Gross Debt	18.1	18.3	6.74	(16.6)	0.0	0.0
Capital Issues	0.0	0.0	0.0	0.0	0.0	0.0
Other Financing CF	(8.2)	(10.4)	(8.3)	(7.4)	0.0	0.0
Net Financing CF	9.89	7.90	(1.5)	(24.0)	0.0	0.0
Currency Adjustments	0.80	(0.5)	(0.5)	0.41	0.0	0.0
Chg in Cash	13.1	(5.6)	9.03	32.1	32.5	32.1
Opg CFPS (S cts)	1.63	2.56	2.53	2.90	2.51	2.66
Free CFPS (S cts)	(0.5)	(0.4)	1.55	1.48	1.36	1.35

Source: Company, DBS Bank

Capital Expenditure



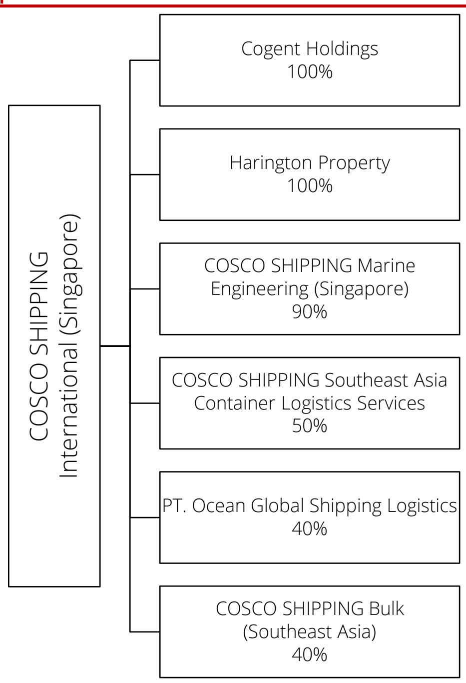
Company Background

Corporate profile. Founded in 1961 and headquartered in Singapore, COSCO SHIPPING International (Singapore) Co., Ltd. (the "company") aims to become the leading integrated logistics service provider in South and Southeast Asia for comprehensive services across the entire logistics value chain. It is also involved in property management, as well as ship repair and marine engineering through various subsidiaries.

Parent company. The company is ultimately controlled by the parent company, COSCO SHIPPING Corporation Limited, a state-owned enterprise established in the People's Republic of China ("PRC) and China's largest shipping group and one of the top shipping conglomerates in the world.

Company history. Formerly known as COSCO Corporation (Singapore) Limited, it operated one of the largest ship repair, shipbuilding, marine engineering, and dry bulk shipping outfits in China and Singapore. However, it divested its loss-making shipyard business in 2017 as part of a company-wide restructuring due to highly challenging market conditions. It then went on to acquire Cogent, one of Singapore's leading full-service logistics service providers with a track record of over 40 years, in 2018. The company was renamed to COSCO SHIPPING International (Singapore) and shifted its focus to the core logistics business, which has operations in Singapore, Malaysia, Indonesia, and Vietnam. With the 60% disposal of its equity interest in COSCO SHIPPING (Singapore) in December 2021, the company will generate revenue from three main business segments now: 1) Logistics; 2) property management; and 3) ship repair and marine engineering.

Corporate structure



Source: Company 2021 Annual Report, DBS Bank

Logistics sub-segments

Sub-segment	Principal activities
Warehousing solutions	Rental of warehouses, provision of warehousing services including packing, drumming, and other ancillary services
Container depot services	Provision of integrated container depot services comprising storage, handling, washing, and repair of empty containers
Automotive logistics services	Export processing, transportation, and storage of motor vehicles
Transportation services	Transportation services locally for laden and empty containers and other cargoes, as well as provision of dry hubbing logistics solutions and project cargo services

Source: Cogent 2016 Annual Report, DBS Bank

Business segments. COSCO SHIPPING International (Singapore) operates three business segments – logistics, property management, and ship repair and marine engineering. Its wholly owned subsidiary Cogent, a one-stop logistics service provider, offers warehousing solutions, container depot services, automotive logistics services, and transportation services. The logistics segment contributes c.70% to total revenue from FY18-21. Under property management, Cogent also manages The Grandstand, one of the largest shopping and lifestyle hubs in Singapore, while its other subsidiary, Harington Property, owns office units in Suntec City. Ship repair and marine engineering activities include fabrication work services and production of marine outfitting components.

Management

Experienced management team. COSCO SHIPPING International (Singapore)'s management team comprises Zhu Jian Dong, Wang Kang Tian, and Wang Hui. They bring vast skills, extensive knowledge, and experience to the table. Having worked in the industry for many years, the team is well positioned to take the company to greater heights. The Chairman, Zhu Jian Dong, also sits on the Board of Directors.

Key Management Team

Name and Appointment	Profile
Zhu Jian Dong Chairman, President and Non-Independent Executive Director	Zhu Jian Dong holds a Master of Business Administration (International) from The University of Hong Kong. He was appointed as President and Non-Independent Executive Director on 19 September 2019 and Chairman on 13 November 2019. He also chairs the Strategic Development Committee and is a member of the Nominating Committee. Zhu has held key managerial roles before his appointment and he brings vast skills, knowledge, and experience to his current role. Prior to his current appointment, Zhu was Deputy Managing Director of COSCO SHIPPING Lines Co., Ltd, Deputy Managing Director of COSCO SHIPPING Holdings Co., Ltd, and Director of The Orient Overseas Container Line Ltd. Zhu was Deputy Managing Director of COSCO Container Lines Co., Ltd from September 2013 to January 2016, Executive Vice President of COSCO Americas Co., Ltd from October 2010 to September 2013, and Executive Vice President of COSCO Container Lines (Americas) Co., Ltd from March 2008 to September 2013.
Wang Kang Tian Chief Financial Officer and Chief Risk Officer	Wang Kang Tian graduated from Anhui University of Finance and Economics in July 1988 and obtained a Master's degree in Economics in 2005 from Renmin University of China. He was appointed Chief Financial Officer and Chief Risk Officer on 14 November 2017. Wang started his career in July 1988 as Vice General Manager of the Finance Division of Guangzhou Shipping Company Limited. In July 1997, he joined China Shipping Group Company Limited as General Manager of the Finance Division. In July 2002, Wang joined China Shipping Development Company Limited where he served as Chief Financial Officer and Vice President for 14 years. Prior to his existing appointment at COSCO SHIPPING, Wang was Chief Finance Officer of China COSCO Energy Transportation Company Limited from July 2015 to October 2017.
Wang Hui Vice President	Wang Hui was appointed Vice President of the company on 22 February 2021. Wang started his career in July 1994 as Assistant and Deputy Manager of the Seaman Service Department of COSCO Manning Corporation. In September 2000, he joined China Ocean Shipping (Group) as Manager of the Public Relations Department. In March 2010, Wang joined COSCO SHIPPING International (Singapore) Co., Ltd where he served as General Manager in the Investor Relations Department for seven years. Prior to his existing appointment at COSCO SHIPPING, Wang was Deputy Chief Economist of the Global Procurement Centre in China COSCO SHIPPING Corporation Ltd since August 2018. Wang graduated from Beijing International Studies University with a Bachelor's Degree.

Source: Company

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BUY (>15% total return over the next 12 months for small caps, >10% for large caps)
HOLD (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)
FULLY VALUED (negative total return, i.e., > -10% over the next 12 months)
SELL (negative total return of > -20% over the next 3 months, with identifiable share price catalysts within this time frame)

**Share price appreciation + dividends*

Completed Date: 29 Apr 2022 06:35:53 (SGT)
Dissemination Date: 29 Apr 2022 07:36:34 (SGT)

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