

ZIM

Still below 2023 guidance

Reiterate Rating: UNDERPERFORM | PO: 14.00 USD | Price: 14.68 USD

2H spot rate rebound assumption is optimistic, in our view

ZIM has maintained its 2023 EBITDA guidance of \$1.8-2.2bn, which assumes a recovery in both demand and spot container rates in 2H. On the earnings call, management said it has not seen any signs of demand improvement yet. We do not expect a rebound in spot rates in 2H (BofAe c60% y-y decline in ZIM's average 2023 freight rate) even if demand picks up because the upcoming addition of new vessels to the global fleet could lead to oversupply (see [Freight Follower](#) note). We stay at Underperform.

Cutting estimates, remain below '23 guidance & consensus

The 1Q EBIT loss of -\$14m was well below our and consensus estimates, driven largely by lower-than-expected volumes. We reduce our 2023 EBITDA estimate by 8% to \$1.4bn, which keeps us below the low end of guidance and 6% below consensus. Our PO declines to \$14 because of our lower estimates. The SCFI has continued to decline after a short-lived bounce in April, with the spot rate now -77% y-y.

Volume growth to benefit unit costs

The 1Q volume decline was lower than expected at -10.5%, and less than the market decline of -7%, as the liner moved capacity from the Asia to USWC trade lane to routes such as S. America to N. America. The company guides to higher volumes in 2023 as its fleet grows with the delivery of new vessels (BofAe +4%) and it increases backhaul volumes. The total fleet was 152 vessels at end-March, with 54 vessels up for renewal and 40 deliveries in 2023-24. We forecast higher backhaul volumes to benefit unit costs but the mix shift to these lower-rate volumes should negatively impact realized rates. We expect charter costs to remain high in 2023, which, along with our forecast of falling rates, results in negative EBIT in 2023, below guidance of \$100-500m.

No dividend likely in 2023

ZIM has announced no 1Q dividend. Given our estimate of a net loss in 2023 and ZIM's dividend policy of a 30-50% payout of net income annually (quarterly payout is 30%), we forecast no dividend from this year's earnings. As a result we change the income rating from same/lower (8) to pays no cash dividend (9). ZIM has low leverage, which could support a special dividend, but we have limited visibility on this.

Estimates (Dec) (USD)	2021A	2022A	2023E	2024E	2025E
EPS (Adjusted Diluted)	39.1	38.5	(2.98)	(1.79)	(1.89)
EPS Change (YoY)	670.6%	-1.6%	-107.8%	40.0%	-5.5%
Dividend / Share	19.5	17.0	0	0	0
Valuation (Dec)					
P/E	0.38x	0.38x	NM	NM	NM
Dividend Yield	133%	115%	0%	0%	0%
EV / EBITDA*	1.02x	0.89x	4.69x	5.27x	5.24x
Free Cash Flow Yield*	239%	248%	-49.6%	-7.79%	1.54%

* For full definitions of *IQmethod*SM measures, see page 8.

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Refer to important disclosures on page 9 to 11. Analyst Certification on page 7. Price Objective Basis/Risk on page 7.

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Timestamp: 23 May 2023 08:08AM EDT

23 May 2023

Equity

Key Changes

(US\$)	Previous	Current
Inv. Opinion	C-3-8	C-3-9
Price Obj.	16.00	14.00
2023E EPS	-1.69	-2.98
2024E EPS	1.42	-1.79
2025E EPS	1.51	-1.89
2023E DPS	0.02	0

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Stock Data

Price	14.68 USD
Price Objective	14.00 USD
Date Established	23-May-2023
Investment Opinion	C-3-9
52-Week Range	14.50 USD-71.40 USD
Mrkt Val / Shares Out (mn)	1,764 USD / 120.2
Average Daily Value (mn)	60.71 USD
Free Float	79.3%
BofA Ticker / Exchange	ZIM / NYS
Bloomberg / Reuters	ZIM US / ZIM.N
ROE (2023E)	-7.2%
Net Dbt to Eqty (Dec2022A)	56.4%
ESGMeter TM	Medium

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

SCFI = Shanghai Containerized Freight Index

iQprofileSM ZIM

Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
(US\$ Millions)					
Sales	10,729	12,562	5,841	5,602	5,893
EBITDA Adjusted	6,597	7,541	1,432	1,274	1,281
Depreciation & Amortization	(756)	(1,370)	(1,656)	(1,255)	(1,251)
EBIT Adjusted	5,841	6,171	(225)	19.4	29.3
Net Interest & Other Income	(157)	(109)	(230)	(299)	(324)
Tax Expense / Benefit	(1,010)	(1,398)	96.4	64.3	67.8
Net Income (Adjusted)	4,652	4,636	(359)	(215)	(227)
Average Fully Diluted Shares Outstanding	119	120	120	120	120
Key Cash Flow Statement Data					
Net Income (Reported)	4,640	4,619	(360)	(215)	(227)
Depreciation & Amortization	756	1,370	1,656	1,255	1,251
Change in Working Capital	(271)	115	(314)	38.8	33.5
Deferred Taxation Charge	0	0	0	0	0
Other CFO	845	530	54.5	391	404
Cash Flow from Operations	5,971	6,110	1,037	1,469	1,462
Capital Expenditure	(1,187)	(346)	(200)	(350)	(206)
(Acquisition) / Disposal of Investments	(1,177)	(297)	(188)	(350)	(206)
Other CFI	(979)	(1,002)	1,430	1,350	206
Cash Flow from Investing	(3,343)	(1,645)	1,042	650	(206)
Share Issue / (Repurchase)	205	0	0	0	0
Cost of Dividends Paid	(536)	(3,303)	(769)	0	0
Increase (decrease) debt	1,491	1,024	967	820	(440)
Other CFF	(2,813)	(2,697)	(2,890)	(2,303)	(1,032)
Cash Flow from Financing	(1,653)	(4,976)	(2,691)	(1,484)	(1,472)
Total Cash Flow (CFO + CFI + CFF)	975	(511)	(612)	636	(217)
FX and other changes to cash	(1.97)	(9.90)	0.40	0	0
Change in Cash	973	(521)	(612)	636	(217)
Change in Net Debt	518	1,545	1,579	184	(223)
Net Debt (Reported)	1,780	3,325	4,904	5,088	4,865
Net Debt (Adjusted)	(534)	(281)	2,500	3,683	3,460

Key Balance Sheet Data					
Property, Plant & Equipment	4,393	5,751	6,844	7,842	7,424
Goodwill	NA	NA	NA	NA	NA
Other Intangibles	73.8	92.9	72.6	82.0	83.2
Other Non-Current Assets	291	1,510	1,484	1,484	1,484
Trade Receivables	1,278	826	712	645	678
Cash & Equivalents	1,543	1,022	410	1,046	829
Other Current Assets	2,263	2,424	1,135	128	131
Total Assets	9,842	11,625	10,658	11,226	10,630
Long-Term Debt	2,300	2,871	3,742	4,562	4,122
Other Non-Current Liabilities	186	197	188	188	188
Short-Term Debt	1,024	1,477	1,573	1,573	1,573
Other Current Liabilities	1,733	1,185	1,141	1,105	1,176
Total Liabilities	5,242	5,729	6,644	7,428	7,058
Total Equity	4,600	5,896	4,014	3,798	3,571
Total Equity & Liabilities	9,842	11,625	10,658	11,226	10,630

Business Performance*					
Return On Capital Employed	93.6%	52.2%	-0.81%	0.87%	0.86%
Return On Equity	191%	88.5%	-7.24%	-5.51%	-6.16%
Operating Margin	54.2%	48.9%	-3.89%	0.28%	0.43%
Free Cash Flow (MM)	4,037	4,363	(876)	(137)	27.2

Quality of Earnings*					
Cash Realization Ratio	1.28x	1.32x	NM	NM	NM
Asset Replacement Ratio	1.57x	0.25x	0.12x	0.28x	0.16x
Tax Rate	17.9%	23.2%	21.2%	23.0%	23.0%
Net Debt/Equity	38.7%	56.4%	122%	134%	136%
Interest Cover	33.3x	25.8x	-0.64x	0.05x	0.07x

* For full definitions of iQmethodSM measures, see page 8.

Company Sector

Shipping

Company Description

ZIM is a global container shipping company based in Israel. The company operates an almost entirely chartered fleet and is concentrated on the transpacific trade lane. ZIM is a relatively small player with less than 2% of the global market share.

Investment Rationale

We expect freight rates normalization to continue in 2023, driven by weaker global demand and a gradual easing of port congestion. ZIM's charter costs are likely to stay elevated in 2023 before declining in 2024 as charters are renewed. ZIM's largely chartered fleet and lower proportion of contracted volumes make it more exposed than other carriers to a normalization in the ocean market.

Stock Data

Price to Book Value

0.4x

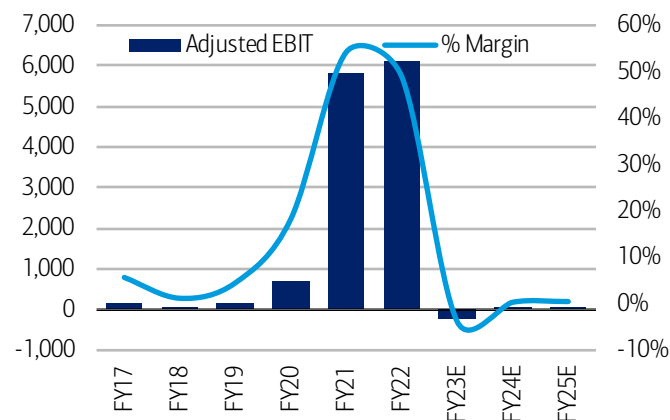
Quarterly Earnings Estimates

	2022	2023
Q1	14.21A	-0.48A
Q2	11.09A	-0.89E
Q3	9.74A	-0.97E
Q4	3.46A	-0.64E

Changes to estimates

Exhibit 1: Adj. EBIT (\$m) and margin (%)

We forecast negative EBIT in 2023E, below guidance

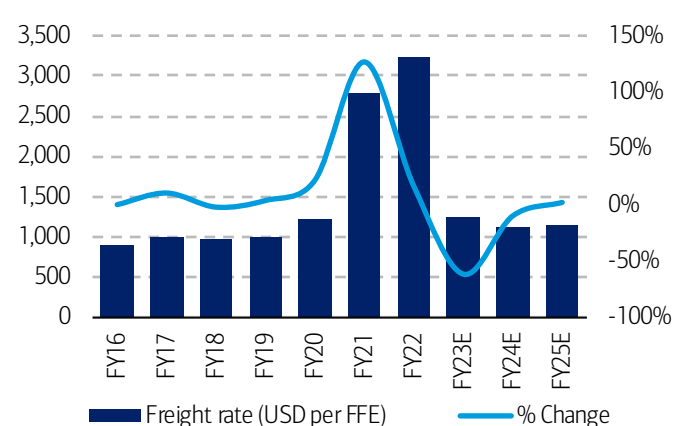


Source: BofA Global Research estimates, company report

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Exhibit 2: Average freight rate (USD per FFE) and change (%)

We do not expect a rebound in freight rates in 2H

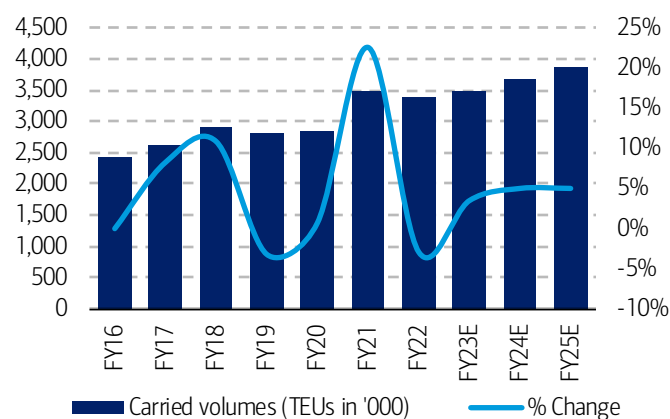


Source: BofA Global Research estimates, Company Reports

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Exhibit 3: Carried volumes (TEU '000) and change (%)

Volume growth of 4% in 2023E as fleet grows

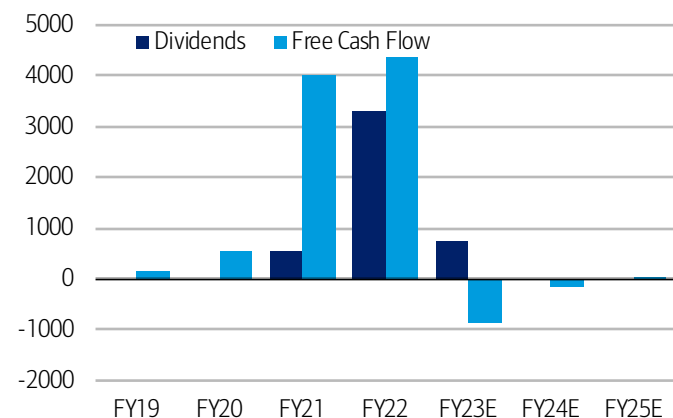


Source: BofA Global Research estimates, Company Reports

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Exhibit 4: Dividends and Free Cash Flow (\$m)

We forecast negative FCF and no dividends in 2023E

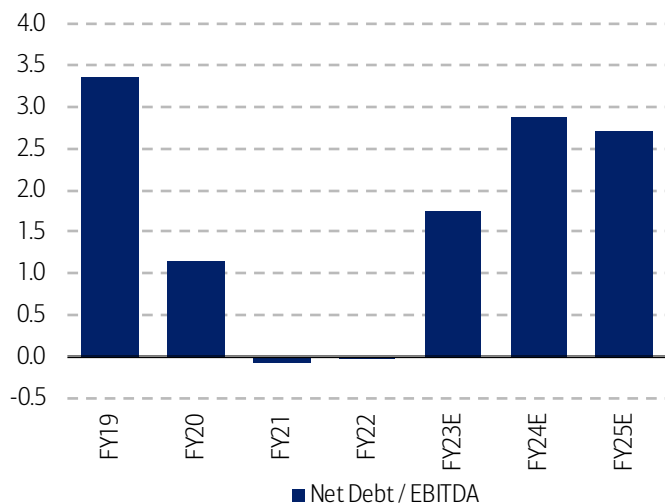


Source: BofA Global Research estimates, Company Reports

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Exhibit 5: Net debt / EBITDA

ND/EBITDA remains under 3x on our estimates



Source: BofA Global Research estimates, company report

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Exhibit 6: Changes to estimates

We lower our 2023E adj. EBITDA by 8% following the 1Q miss

(US\$ m)	New			Old			Change		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	5,841	5,602	5,893	6,089	5,843	6,144	-4%	-4%	-4%
Adj. EBITDA	1,432	1,274	1,281	1,548	1,556	1,575	-8%	-18%	-19%
% margin	24.5	22.7	21.7	25.4	26.6	25.6			
Adj. EBIT	-225	19	29	-157	341	362	-43%	-94%	-92%
% margin	-3.8	0.3	0.5	-2.6	5.8	5.9			
Adj. Net Income	-359	-215	-227	-204	172	182	-76%	-225%	-225%
% margin	-6.1	-3.8	-3.9	-3.3	2.9	3.0			
Adj. Diluted EPS (US\$)	-3.0	-1.8	-1.9	-1.7	1.4	1.5	-76%	-226%	-225%
DPS (US\$)	0.0	0.0	0.0	0.0	0.4	0.5	-100%	-100%	-100%
Free cash flow	-876	-137	27	-76	80	275	-1054%	-271%	-90%

Source: BofA Global Research estimates

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Exhibit 7: BofA estimates vs consensus

We are below consensus on 2023E EBIT

	BofA			Consensus			Difference		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY22E	FY23E	FY24E
Revenue	5,841	5,602	5,893	6,056	5,890	6,407	-4%	-5%	-8%
EBITDA	1,432	1,274	1,281	1,517	1,275	1,567	-6%	0%	-18%
% margin	24.5	22.7	21.7	25.1	21.6	24.5			
EBIT	-225	19	29	-191	-338	91	-18%	106%	-68%
% margin	-3.8	0	0.5	-3.1	-5.7	1.4			
Net Income	-359	-215	-227	-331	-476	-182	-8%	55%	-25%
% margin	-6.1	-4	-3.9	-5.5	-8.1	-2.8			
EPS, reported	-3.0	-1.8	-1.9	-1.5	-3.8	-1.3	-103%	53%	-46%

Exhibit 7: BofA estimates vs consensus

We are below consensus on 2023E EBIT

	BofA			Consensus			Difference		
DPS	0.0	-		0.7	0.3	1.1	-100%	-100%	-100%

Source: Bloomberg, BofA Global Research estimates

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Exhibit 8: ZIM valuation summary

ZIM trades on a 0.45x P/B on our 2024E estimates

Valuation Summary

Year End 31st December (USD m)	FY21	FY22	FY23E	FY24E	FY25E
Share price (USD) (period end)	58.9	17.2	14.7	14.7	14.7
Total Shares Outstanding	119	120	120	120	120
Market Cap	6,980	2,065	1,764	1,764	1,764
Plus: Net debt	-534	-281	2,500	3,683	3,460
Less: Associates	12	22	23	23	23
Plus: Minorities	8	6	1	1	0
Enterprise Value	6,442	1,769	4,242	5,426	5,202
Plus: Net Pension Benefits	66	45	43	43	43
Plus: Provisions	28	50	52	52	52
Enterprise Value inc. pensions and provisions	6,536	1,864	4,336	5,520	5,297
Adj. EBITDA	6,597	7,541	1,432	1,274	1,281
EV/EBITDA	1.0	0.2	3.0	4.3	4.1
Adj. EBIT	5,820	6,145	-225	19	29
EV/EBIT	1.1	0.3	-18.9	279.4	177.6
EPS	39.1	38.5	-3.0	-1.8	-1.9
P/E	1.5	0.4	-4.9	-8.2	-7.8
Dividend per share	19.5	17.0	0.0	0.0	0.0
Dividend yield	33%	99%	0%	0%	0%
FCF	4,037	4,363	-876	-137	27
FCF yield	58%	211%	-50%	-8%	2%
Equity	4,592	5,890	4,013	3,798	3,571
Average BV/share	22.2	43.9	41.2	32.5	30.7
P/BV	2.65	0.39	0.36	0.45	0.48
Invested Capital	4,820	8,975	10,069	9,811	9,588
EV/ IC	1.34	0.20	0.42	0.55	0.54
ROIC Pre-Tax	120.7	68.5	-2.2	0.2	0.3
ROIC Post-Tax	99.2	52.6	-1.8	0.2	0.2
ROIC/WACC	11.92	6.32	-0.21	0.02	0.03
ROE	190.9	88.4	-7.2	-5.5	-6.2
ROE / CoE	22.31	10.33	-0.85	-0.64	-0.72

Source: BofA Global Research estimates, company data

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Price objective basis & risk

ZIM (ZIM)

Our PO of \$14 is based on a target P/B valuation. We apply a 0.35x P/B on our 2023 book value estimate given our 2023-25E return on equity estimate is below the cost of equity.

Downside risks to our price objective are weaker freight rates due to lower demand, end of shipping liner capacity discipline, government restrictions on freight rates, increasing container shipping order book, higher-than-expected charter rate costs, collapse of operational agreements.

Upside risks are contract rates are reset higher than expected, stronger-than-expected demand puts more upward pressure on freight rates, new supply is less than expected resulting in better-than-expected spot rates and special dividend from cash on balance sheet.

Analyst Certification

I, Muneeba Kayani, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

EMEA - Transport Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Deutsche Post DHL	DPSTF	DPW GY	Muneeba Kayani
	Deutsche Post DHL	DPSGY	DPSGY US	Muneeba Kayani
	DSV	DSDVF	DSV DC	Muneeba Kayani
	DSV	DSDVY	DSDVY US	Muneeba Kayani
	IAG	XACDF	IAG LN	Muneeba Kayani
	IAG	BABWF	IAG SM	Muneeba Kayani
	IAG	ICAGY	ICAGY US	Muneeba Kayani
	National Express Group Plc	NXPGE	NEX LN	Muneeba Kayani
	Ryanair	RYAAY	RYAAY US	Muneeba Kayani
	Ryanair	RYAOF	RYA ID	Muneeba Kayani
	Wizz Air	WZZAF	WIZZ LN	Muneeba Kayani
NEUTRAL				
	APM Maersk	AMKBF	MAERSKB DC	Muneeba Kayani
	APM Maersk	AMKBY	AMKBY US	Muneeba Kayani
	bpost	BPOSF	BPOST BB	Muneeba Kayani
	InPost	INPOF	INPST NA	Muneeba Kayani
	International Distributions Services PLC	ROYMF	IDS LN	Muneeba Kayani
	Lufthansa	DLAKY	DLAKY US	Muneeba Kayani
	Lufthansa	DLAKF	LHA GY	Muneeba Kayani
UNDERPERFORM				
	Air France-KLM	AFRAF	AF FP	Muneeba Kayani
	Air France-KLM	AFLYY	AFLYY US	Muneeba Kayani
	Austrian Post	OERCF	POST AV	Muneeba Kayani
	easyJet	EJTTF	EZJ LN	Muneeba Kayani
	Kuehne + Nagel	KHNGF	KNIN SW	Muneeba Kayani
	Kuehne + Nagel	KHNGY	KHNGY US	Muneeba Kayani
	PostNL	TNTFF	PNL NA	Muneeba Kayani
	ZIM	ZIM	ZIM US	Muneeba Kayani

IQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt +
Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

IQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of *IQmethod* are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

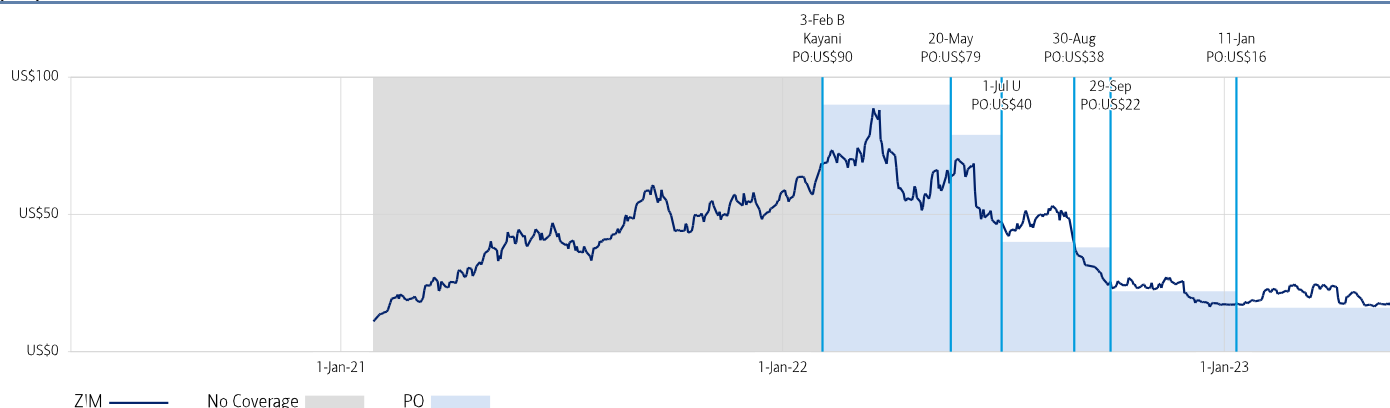
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Disclosures

Important Disclosures

ZIM (ZIM) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Transport/Infrastructure Group (as of 31 Mar 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	68	51.52%	Buy	38	55.88%
Hold	28	21.21%	Hold	15	53.57%
Sell	36	27.27%	Sell	18	50.00%

Equity Investment Rating Distribution: Global Group (as of 31 Mar 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1869	53.01%	Buy	1030	55.11%
Hold	827	23.45%	Hold	476	57.56%
Sell	830	23.54%	Sell	389	46.87%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its *Coverage Cluster* (defined below). There are three investment ratings: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

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