

ZIM

3Q23: another guidance cut

Reiterate Rating: UNDERPERFORM | PO: 6.40 USD | Price: 7.50 USD

Lowering 2023 EBITDA estimate by 15%, PO to \$6.4

ZIM has reduced its EBIT guidance and now expects a loss of -\$600m to -\$400m. The company sees no signs of recovery in demand or spot container rates for the rest of 2023 (BofAe -63% y-y decline in the average 2023 freight rate). We expect the addition of vessels to the global fleet to keep the industry oversupplied (see [ZIM](#) and [Freight Follower](#) notes). We cut our 2023 EBITDA estimate by 15% to \$996m because of our lower freight rate and volume estimates (near the midpoint of \$900m to \$1,100m updated guidance). Our 2023 EBIT loss estimate is unchanged at -\$533m on the back of lower depreciation costs, putting us near the midpoint of new guidance. We raise our target P/B multiple to 0.35x (from 0.25x before) following the \$2.1bn impairment to vessel value on the balance sheet. Our PO falls to \$6.40 (from \$8.70) due to the lower book equity. We stay at Underperform.

Volume growth below market; capacity increasing

3Q volume growth of +3% was below both our expectation of +7% and the market at +5%, as ZIM readjusts its network. Management now expects a y-y decline in 2023, compared with its expectation of LSD volume growth previously. We cut our 2023 volume forecast to -2% (from +1%). ZIM expects to receive new vessels next year with its capacity increasing to 700k TEU. We see charter costs remaining high in 2023, despite ZIM redelivering expensive charters (5 vessels in 4Q and 34 in 2024). This, along with our forecast of a further fall in rates, results in an EBIT loss of -\$533m in 2023. This is despite a \$150m tailwind in 4Q from lower depreciation reflecting the \$2.1bn impairment taken in 3Q.

\$2bn non-cash impairment in 3Q; no dividend in 2023

ZIM booked a \$2.1bn non-cash impairment in 3Q23, reflecting its negative near-term market outlook and the increase in interest rates. The impairment will have no impact on a cash basis but will be reflected in the P&L, with adjusted EBIT seeing a tailwind from lower depreciation (c\$150m expected in 4Q23 and c\$600m in 2024E). 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. Meanwhile, a special dividend looks unlikely given the high leverage.

Estimates (Dec) (USD)	2021A	2022A	2023E	2024E	2025E
EPS (Adjusted Diluted)	39.1	38.5	(6.39)	(3.15)	(1.45)
EPS Change (YoY)	670.6%	-1.6%	-116.6%	50.7%	53.8%
Dividend / Share	19.5	17.0	0	0	0
Valuation (Dec)					
P/E	0.19x	0.19x	NM	NM	NM
Dividend Yield	260%	226%	0%	0%	0%
EV / EBITDA*	0.82x	0.72x	5.45x	8.24x	6.04x
Free Cash Flow Yield*	468%	485%	-75.7%	-29.7%	51.7%

* 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: 16 November 2023 08:19AM EST

16 November 2023

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	8.70	6.40
2023E EPS	-5.24	-6.39
2024E EPS	-4.75	-3.15
2025E EPS	-4.63	-1.45

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Stock Data

Price	7.50 USD
Price Objective	6.40 USD
Date Established	16-Nov-2023
Investment Opinion	C-3-9
52-Week Range	6.77 USD-29.38 USD
Mrkt Val / Shares Out (mn)	902 USD / 120.2
Average Daily Value (mn)	20.60 USD
Free Float	79.3%
BofA Ticker / Exchange	ZIM / NYS
Bloomberg / Reuters	ZIM US / ZIM.N
ROE (2023E)	-18.6%
Net Dbt to Eqty (Dec2022A)	56.4%
ESGMeter™	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

GRI = Generate rate increase

iQprofileSM ZIM

Key Income Statement Data (Dec)	2021A	2022A	2023E	2024E	2025E
(US\$ Millions)					
Sales	10,729	12,562	5,162	4,737	5,025
EBITDA Adjusted	6,597	7,541	996	659	899
Depreciation & Amortization	(756)	(1,370)	(3,544)	(862)	(802)
EBIT Adjusted	5,841	6,171	(2,548)	(203)	96.4
Net Interest & Other Income	(157)	(109)	(284)	(288)	(323)
Tax Expense / Benefit	(1,010)	(1,398)	177	113	52.2
Net Income (Adjusted)	4,652	4,636	(768)	(378)	(175)
Average Fully Diluted Shares Outstanding	119	120	120	120	120

Key Cash Flow Statement Data					
Net Income (Reported)	4,640	4,619	(2,730)	(378)	(175)
Depreciation & Amortization	756	1,370	3,544	862	802
Change in Working Capital	(271)	115	169	148	(33.1)
Deferred Taxation Charge	0	0	0	0	0
Other CFO	845	530	53.2	402	915
Cash Flow from Operations	5,971	6,110	1,036	1,034	1,509
Capital Expenditure	(1,187)	(346)	(200)	(350)	(176)
(Acquisition) / Disposal of Investments	(1,177)	(297)	(179)	(350)	(176)
Other CFI	(979)	(1,002)	1,585	1,200	176
Cash Flow from Investing	(3,343)	(1,645)	1,206	500	(176)
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	723	677	(311)
Other CFF	(2,813)	(2,697)	(2,628)	(1,906)	(858)
Cash Flow from Financing	(1,653)	(4,976)	(2,674)	(1,229)	(1,169)
Total Cash Flow (CFO + CFI + CFF)	975	(511)	(432)	305	164
FX and other changes to cash	(1.97)	(9.90)	(5.20)	0	0
Change in Cash	973	(521)	(438)	305	164
Change in Net Debt	518	1,545	1,160	372	(475)
Net Debt (Reported)	1,780	3,325	4,486	4,858	4,383
Net Debt (Adjusted)	(534)	(281)	2,314	3,537	3,562

Key Balance Sheet Data					
Property, Plant & Equipment	4,393	5,751	4,557	5,533	5,344
Goodwill	NA	NA	NA	NA	NA
Other Intangibles	73.8	92.9	42.0	57.7	64.1
Other Non-Current Assets	291	1,510	1,395	1,395	894
Trade Receivables	1,278	826	462	545	578
Cash & Equivalents	1,543	1,022	584	889	1,054
Other Current Assets	2,263	2,424	1,077	198	206
Total Assets	9,842	11,625	8,118	8,618	8,141
Long-Term Debt	2,300	2,871	3,354	4,031	3,720
Other Non-Current Liabilities	186	197	52.4	52.4	52.4
Short-Term Debt	1,024	1,477	1,716	1,716	1,716
Other Current Liabilities	1,733	1,185	607	809	817
Total Liabilities	5,242	5,729	5,729	6,608	6,305
Total Equity	4,600	5,896	2,388	2,010	1,835
Total Equity & Liabilities	9,842	11,625	8,118	8,618	8,141

Business Performance*					
Return On Capital Employed	93.6%	52.2%	-24.0%	-0.90%	1.91%
Return On Equity	191%	88.5%	-18.6%	-17.2%	-9.11%
Operating Margin	54.2%	48.9%	-50.6%	-4.37%	1.84%
Free Cash Flow (MM)	4,037	4,363	(683)	(267)	466

Quality of Earnings*					
Cash Realization Ratio	1.28x	1.32x	NM	NM	NM
Asset Replacement Ratio	1.57x	0.25x	0.06x	0.41x	0.22x
Tax Rate	17.9%	23.2%	6.11%	23.0%	23.0%
Net Debt/Equity	38.7%	56.4%	188%	242%	239%
Interest Cover	33.3x	25.8x	-5.83x	-0.51x	0.23x

* 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

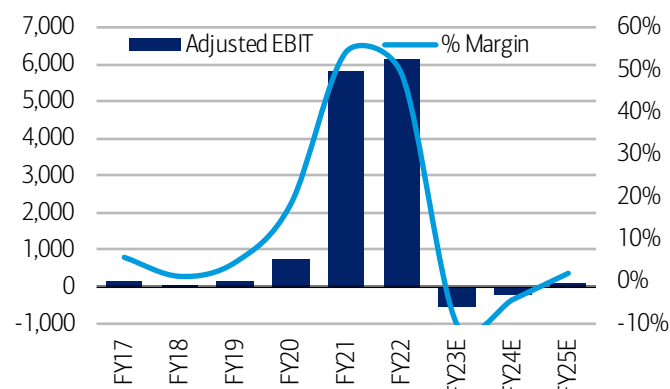
Quarterly Earnings Estimates

	2022	2023
Q1	14.21A	-0.48A
Q2	11.09A	-1.63A
Q3	9.74A	-2.25A
Q4	3.46A	-1.52E

Changes to estimates

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

Our 2023E EBIT estimate is at the midpoint of guidance

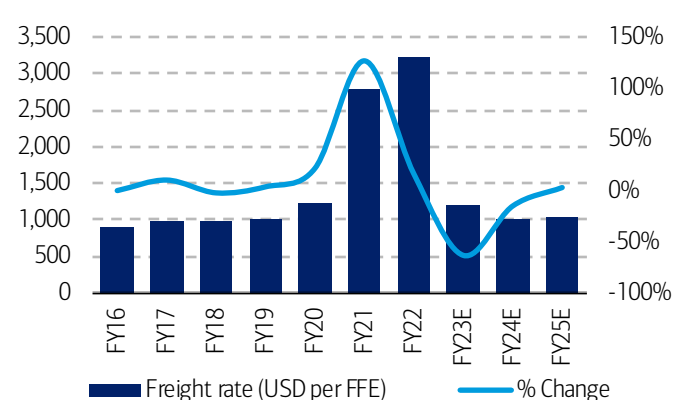


Source: BofA Global Research estimates, company report

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

We forecast ZIM's freight rates to decline further in 2024E

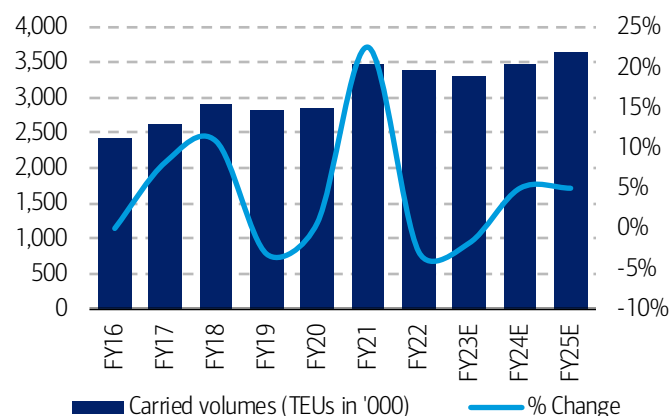


Source: BofA Global Research estimates, Company Reports

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

-2% volume decline in 2023E despite fleet growth

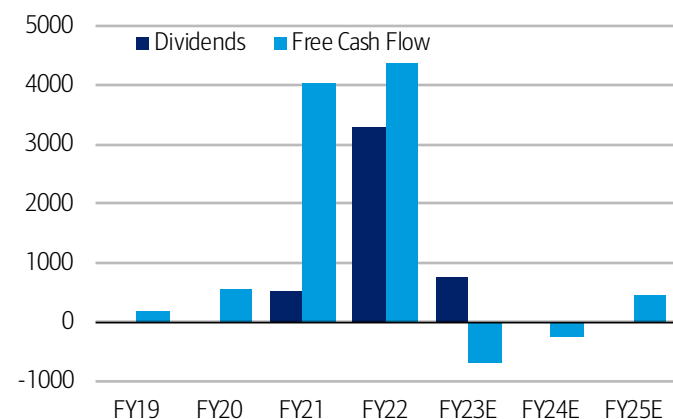


Source: BofA Global Research estimates, Company Reports

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

We forecast negative FCF and no dividends in 2023E

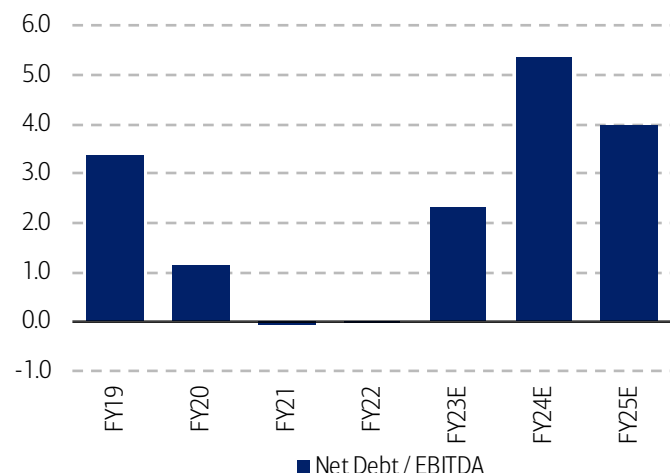


Source: BofA Global Research estimates, Company Reports

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Exhibit 5: Net debt/EBITDA

ND/EBITDA increases to >4x in 2024E on our estimates

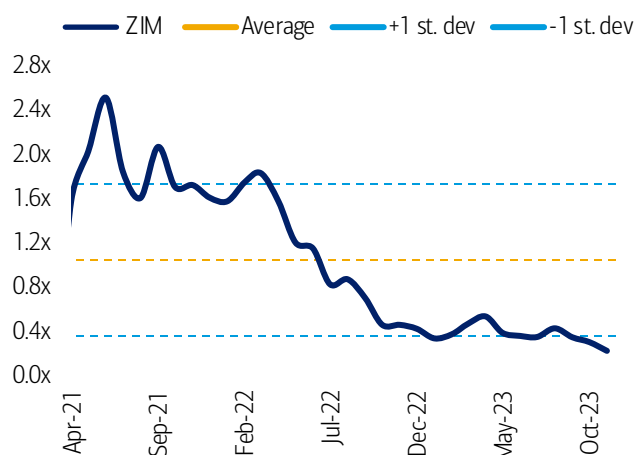


Source: BofA Global Research estimates, company report

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Exhibit 6: ZIM's P/B valuation

ZIM's P/B multiple has declined with freight rates



Source: BofA Global Research, Eikon

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Exhibit 7: Changes to estimates

Our FY23E adj EBIT estimate is largely unchanged

(US\$ m)	New			Old			Change		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	5,162	4,737	5,025	5,379	4,937	5,236	-4%	-4%	-4%
Adj. EBITDA	996	659	899	1,167	849	881	-15%	-22%	2%
% margin	19.3	13.9	17.9	21.7	17.2	16.8			
Adj. EBIT	-533	-203	96	-533	-445	-401	0%	54%	124%
% margin	-10.3	-4.3	1.9	-9.9	-9.0	-7.7			
Adj. Net Income	-768	-378	-175	-630	-570	-557	-22%	34%	69%
% margin	-14.9	-8.0	-3.5	-11.7	-11.6	-10.6			
Adj. Diluted EPS (US\$)	-6.4	-3.1	-1.5	-5.2	-4.7	-4.6	-22%	34%	69%

Source: BofA Global Research estimates

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Exhibit 8: BofA estimates vs consensusWe are in line with consensus and at the midpoint of company guidance of **\$600m to -\$400m** on 2023E EBIT

	BofA			Consensus			Difference		
	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E	FY23E	FY24E	FY25E
Revenue	5,162	4,737	5,025	5,259	5,030	5,707	-2%	-6%	-12%
EBITDA	996	659	899	1,172	940	1,306	-15%	-30%	-31%
% margin	19.3	13.9	17.9	22.3	18.7	22.9			
EBIT	-533	-203	96	-541	-692	-229	1%	71%	142%
% margin	-10.3	-4	2	-10.3	-13.7	-4.0			
Net Income	-2724	-378	-175	-606	-717	-389	-350%	47%	55%
% margin	-52.8	-8	-3.5	-11.5	-14.3	-6.8			
EPS, reported	-22.7	-3.1	-1.5	-4.3	-5.5	-2.7	-424%	43%	46%

Source: Bloomberg, BofA Global Research estimates

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Exhibit 9: ZIM valuation summary

ZIM trades on a 0.41x 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	7.5	7.5	7.5
Total Shares Outstanding	119	120	120	120	120
Market Cap	6,980	2,065	902	902	902
Plus: Net debt	-534	-281	2,314	3,537	3,562
Less: Associates	12	22	27	27	27
Plus: Minorities	8	6	4	3	3
Enterprise Value	6,442	1,769	3,193	4,415	4,440
Plus: Net Pension Benefits	66	45	39	39	39
Plus: Provisions	28	50	58	58	58
Enterprise Value inc. pensions and provisions	6,536	1,864	3,291	4,513	4,537
Adj. EBITDA	6,597	7,541	996	659	899
EV/EBITDA	1.0	0.2	3.2	6.7	4.9
Adj. EBIT	5,820	6,145	-533	-203	96
EV/EBIT	1.1	0.3	NM	NM	46.1
EPS	39.1	38.5	-6.4	-3.1	-1.5
P/E	1.5	0.4	NM	NM	NM
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	-683	-267	466
FCF yield	58%	211%	-76%	-30%	52%
Equity	4,592	5,890	2,385	2,007	1,832
Average BV/share	22.2	43.9	34.4	18.3	16.0
P/BV	2.65	0.39	0.22	0.41	0.47
Invested Capital	4,820	8,975	8,780	7,302	7,026
EV/ IC	1.34	0.20	0.36	0.60	0.63
ROIC Pre-Tax	120.7	68.5	-6.1	-2.8	1.4
ROIC Post-Tax	99.2	52.6	-5.7	-2.1	1.1
ROIC/WACC	9.52	5.05	-0.55	-0.21	0.10
ROE	190.9	88.4	-18.5	-17.2	-9.1
ROE / CoE	17.94	8.30	-1.74	-1.62	-0.85

Source: BofA Global Research estimates

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Price objective basis & risk

ZIM (ZIM)

Our PO of \$6.40 is based on a target P/B valuation. We apply a 0.35x P/B on our 2024 average 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 - Transports & Hotels Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Accor	ACRFF	AC FP	Muneeba Kayani
	DHL Group	DPSTF	DHL GY	Muneeba Kayani
	DHL Group	DHLGY	DHLGY 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
	Intercontinental Hotels Group plc	ICHGF	IHG LN	Muneeba Kayani
	Intercontinental Hotels Group plc	IHG	IHG US	Muneeba Kayani
	Mobico Group Plc	NXPGF	MCG LN	Muneeba Kayani
	Ryanair	RYAAY	RYAAY US	Muneeba Kayani
	Ryanair	RYAOF	RYA ID	Muneeba Kayani
	TUI AG	TUIFD	TUI LN	Kiranjot Grewal
NEUTRAL				
	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
	Whitbread	WTBCF	WTB LN	Muneeba Kayani
	Wizz Air	WZZAF	WIZZ LN	Muneeba Kayani
UNDERPERFORM				
	Air France-KLM	AFRAF	AF FP	Muneeba Kayani
	Air France-KLM	AFLYY	AFLYY US	Muneeba Kayani
	APM Maersk	AMKBF	MAERSKB DC	Muneeba Kayani
	APM Maersk	AMKBY	AMKBY 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



EMEA - Transports & Hotels Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
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IQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

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

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

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

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.

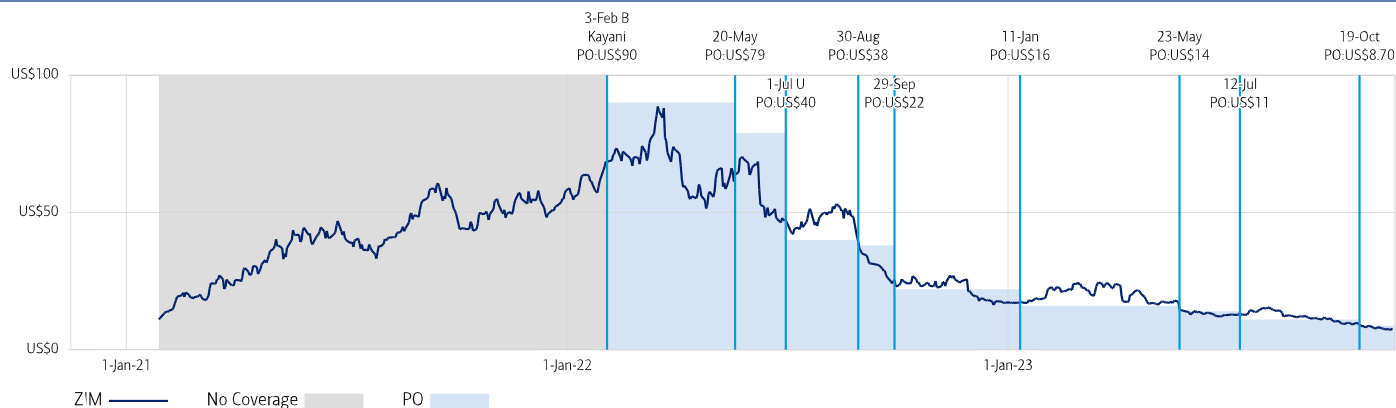
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Disclosures

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 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	71	53.38%	Buy	43	60.56%
Hold	29	21.80%	Hold	13	44.83%
Sell	33	24.81%	Sell	17	51.52%

Equity Investment Rating Distribution: Global Group (as of 30 Sep 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1869	53.48%	Buy	1046	55.97%
Hold	828	23.69%	Hold	461	55.68%
Sell	798	22.83%	Sell	370	46.37%

^{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). Our investment ratings are: 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. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. 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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