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HD Company Profile - International Container Terminal Services, Inc (ICTSI) - Q1 2015

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Strengths

* ICTSI has moved from being a national to an international port operator and ranks among the world's top 10 (by number of containers handled).

* The group's seven key terminals are all in strong emerging markets, where the company is well placed to take advantage of increasing trade volumes.

Weaknesses

* Poor landside infrastructure and intermodal connections in the Philippines and other countries in which ICTSI operates may hamper expansion plans.

Opportunities

* Intra-Asia trade should continue to grow on the back of a free-trade agreement (FTA) signed between China and the ASEAN-5, which includes the Philippines, in January 2010.

Threats

* Consumer demand in box shipping's traditional major markets of Europe and the US, despite gradually picking up, remains sluggish.

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Company Overview International Container Terminal Services, Inc. (ICTSI) is a Philippines-based company engaged in the management, operation and development of container terminals around the world. Through its subsidiaries it provides different services in each port, based on the nature of the business and industry of the country of operations and the general requirements of its shipping line and cargo owners. It primarily handles international containerised cargo, providing a number of ancillary services such as storage, container stripping and stuffing, inspection, and services for refrigerated containers or reefers, as well as roll-on roll-off and anchorage services to non-containerised cargoes or general cargoes. ICTSI conducts operations in four geographic segments: Asia-Pacific and the Subcontinent; Africa; Americas; and Europe and the Middle East. The company's flagship operation is the Manila International Cargo Terminal, which was the first Philippine port to be privatised. Other Philippine ports in its portfolio include Bauan International Port, Inc. (Batangas), Davao Integrated Port and Stevedoring Services Corp. (Davao City), Hijo International Port Services (Davao Del Norte), New Container Terminal 1 and New Container Terminal 2 (both in Subic Bay), Mindanao International Container Terminal Services, Inc. (Misamis Oriental) and South Cotabato Integrated Port Services, Inc. (General Santos City). Subsidiary ICTSI Ltd manages the group's foreign operations, including the development of port concessions overseas.

Strategy BMI expects ICTSI, like many international terminal operators, to continue increasing its exposure to emerging markets. It already operates in some of the world's most attractive emerging markets, including Brazil, Ecuador and Poland. ICTSI announced its first foray into the Indian ports sector through an agreement to develop a new container terminal in the state of Tamil Nadu. ICTSI is a late entrant to the Indian market: APM Terminals has two container terminals in India, PSA International has five, and DP World has a further five in operation with another in development at Kulpi. The operator has signed an agreement with L&T Shipbuilding (LTSB) jointly to manage and operate the new Kattupalli Terminal, which is close to the city of Chennai, in India. LTSB was responsible for the construction of the terminal's first phase with a capacity of 1.2mn twenty-foot equivalent units (TEUs). The terminal has two berths, 350m and 360 m long. It started **commercial** operations in January 2013. A second phase of development will expand the terminal's capacity to 1.8mn TEUs. Having established a presence in India, as BMI predicted, ICTSI set its sights on another emerging area in which it lacks exposure: Africa. As of November 2014 its operations there included Lekki International Container Terminal Services LFTZ Enterprise (LICTSLE) in Lagos, Nigeria, Madagascar International Container Terminal Services Ltd. (MICTSL) in Toamasina, Madagascar and ICTSI DR Congo S.A. (IDRCSA) in Matadi, Democratic Republic of the Congo. In May 2014 through its subsidiary Victoria International Container Terminal Ltd. (VICTL) it entered Australia's port sector, making ICTSI one of the few global port operators boasting facilities on six continents. VICTL has won the 26-year concession to develop and operate Melbourne's third international container terminal at Webb Dock at the Port of Melbourne. The contract with the Port of Melbourne Corporation for the design, construction, commissioning, operation, maintenance and financing of the Port of Melbourne's new international container terminal and empty container **park** (ECP) at Webb Dock was signed in Melbourne on May 2 2014. The lease concession extends to 2040. Phase 1 of the terminal, encompassing one 330 metres long berth fitted with three post-Panamax ship-to-shore cranes, 23.7 hectares of yard and off-dock area with fully automated operations from the gate to the quayside, is expected to be completed by December 31 2016. It will boast an estimated capacity of 350,000TEUs and will be able to cater for vessels with capacity of up to 8,000TEUs. The terminal will be serviced by a 10 hectare empty container **park** with a working capacity of some 200,000TEUs. Phase 2 is planned to become operational by December 31 2017, delivering two additional post-Panamax ship-to-shore cranes on a second 330 metres long berth. The fully developed 35.4 hectare terminal will have a total of six post-Panamax ship-to-shore cranes on 660 meters of berth, and annual throughput capacity of up to 1.4mn TEUs, with the empty container **park**'s capacity of 280,000TEUs. The total investment into the full development of the Webb Dock Container Terminal and the ECP is estimated at AUD550mn and is part of the Port of Melbourne's AUD1.6bn Port Capacity Project. ICTSI is being regularly rated by FinanceAsia magazine as one of the best managed companies of the Philippines, following votes cast by more than 300 investors and analysts.

Financial Data H 1 20 14 ICTSI's net income attributable to equity holders was up 23% year-on-year (y-o-y), from USD82.9mn in H113 to USD101.7mn in H114, according to the **company**'s unaudited consolidated financial results for the first six months of 2014. ICTSI said such change was mainly due to strong operating income from its three geographic segments and gains recognized on the **sale** of a non-operating subsidiary in Cebu, Philippines, the termination of management contract in Kattupalli, India, and the settlement of the insurance claims in Guayaquil, Ecuador. Gross revenues from port operations were up 23% y-o-y, from USD413.7mn to USD510.3mn. According to ICTSI, the increase in revenues was mainly due to higher revenues from ancillary services, favourable volume mix, tariff rate increases in certain terminals and revenue contribution from new terminals in Manzanillo, Mexico and Puerto Cortes, Honduras. The organic revenue growth - excluding the revenues from the newly acquired terminals - amounted to 7%. ICTSI's seven key terminal operations in Manila, Brazil, Poland, Ecuador, Madagascar, **China** and Pakistan accounted for 75% percent of the consolidated revenues in H114. 2013 ICTSI's net income attributable to equity holders of the parent increased by 20% y-o-y, from USD143.2mn in 2012 to USD172.4mn in 2013. Gross revenues from port operations were up 17% y-o-y, from USD729.3mn to USD852.4mn. According to the company, the increase in revenues was mainly due to volume growth, higher storage revenues and ancillary services, tariff rate increases in certain key terminals, and the revenue contribution from the new terminals in Jakarta, Indonesia and Karachi, Pakistan, and the inclusion of the new terminals in Manzanillo, Mexico and Puerto Cortes, Honduras The organic revenue growth - excluding the revenues from the newly acquired terminals and the effect of the cessation of the operations in Tartous, Syria - amounted to 7%. ICTSI's seven key terminal operations in Manila, Brazil, Poland, Ecuador, Madagascar, China and Pakistan accounted for 84% percent of the consolidated revenues in 2013. 2012 ICTSI has posted its 2012 financial results, according to the Journal of Commerce in March 2013. The company confirmed that net income came to USD143.2mn, representing a y-o-y increase of 10%. The annual revenue attributed to its port operations also grew by 10% y-o-y, coming to USD729.3mn. The volume of twenty-foot-equivalent units handled throughout the year grew by 8% y-o-y, hitting 5.63mn. 2011 In its 2011 annual report, ICTSI announced that it had posted revenues from port operations of USD665mn, which represented a 26% higher than the USD527mn reported in 2010. Earnings before interest, taxes, depreciation and amortisation (EBITDA) was USD281mn, a 14% higher rise than was recorded in 2010. Net income attributable to equity holders increased by 33%, from USD98mn in 2010 to USD131mn in 2011. This higher net income of USD131mn was mainly attributed to a result of higher revenues from 'increased volumes, lower financing charges, lower effective tax rate and a one-time gain on sale of non-core assets', ICTSI declared.

Latest Activity ICTSI To Invest USD330mn I n MICT A nd Laguna ICD ICTSI has announced a USD330mn investment in the expansion of the Manila International Container Terminal (MICT) and an inland container depot (ICD) in Calamba, Laguna. The investment will be made in the next 10 years, according to ICTSI vice president and head for Asia, Pacific and the Sub Continent, Christian R. Gonzalez. Of the total, USD100mn is expected to be used for another berth facility and dockyard expansion inside MICT, USD200mn for infrastructure and equipment and USD30mn for the development of the ICD in Laguna. The investment is aimed at catering an expected increase in trade and sustained growth of the Philippine economy, Gonzalez stated, as reported by Manila Standard.

CO conter : International Container Terminal Services Inc | karwel : PT ICTSI Jasa Prima Tbk

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