Instant Update

6 September 2012

NCSP: robust core business performance and improving profitability

1H 12 IFRS results review

Improvements in the cargo mix led to strong results in stevedoring and aggregate revenue despite decline in bunkering revenue

NCSP 1H 12 IFRS revenue was up by 10% y-o-y to USD 541mn, in line with the market consensus and only 3% below our estimate. The increase was mainly driven by a 24% y-o-y jump in stevedoring revenue to USD 354mn on the back of a 6.2% y-o-y increase in cargo turnover and a 17% y-o-y increase in the average handling tariff (following a shift toward increasing grain shipments in the cargo mix).

At the same time, bunkering revenue fell by 29% y-o-y to USD 81.4mn, which was consistent with the weak bunkering results reported in the first quarter of this year.

Higher margin cargo and decline in bunkering boosted operating profitability

Operating profit increased by 41% y-o-y to USD 280mn, mainly driven by improved operating margin and a more profitable cargo mix. Operating margin rose to 52% for 1H 12 vs. 40% in 1H 11. Operating profitability was also boosted by a decline in the share of low margin bunkering revenue, which fell to 15% of total revenue in 1H 12 vs. 23% in 1H 11.

Improvement in operating income resulted in a 33% y-o-y increase in EBITDA to USD 319mn, while EBITDA margin improved by 10ppts y-o-y to 59%.

A foreign exchange loss of USD 14mn, compared to a USD 143mn foreign exchange gain in 1H 11, resulted in a 37% y-o-y decline in net income to USD 141mn, which was in line with the market consensus.

Outlook affected by bad weather conditions, but we still expect the company to outperform the industry in 2012

Net income less foreign exchange gains/losses was up by 116% y-o-y in 1H 12, according to our estimates. We believe this rise in net income together with the improvement in operating income suggests robust performance from the core business, excluding bunkering.

Management did not reiterate previous guidance of an 8% y-o-y increase for full year cargo turnover, expecting poor weather at the beginning of the year and flooding in July to result in an approximately 2mn tonne decline in cargo (1.3% of 2011 cargo turnover). According to our estimates, even including this decline, the company could post around a 6% y-o-y increase in cargo turnover for 2012, which should exceed the 5% y-o-y increase projected for the industry.

NCSP 1H 12 income statement highlights, USD mn

	1H 11	1H 12	y-o-y	Metropol estimates	Deviation from our estimates
Revenue	494	541	10%	557	-2.9%
Stevedoring services	285	354	24%	370	-4.5%
Bunkering services	115	81	-29%	76	7.2%
Additional port services	43	47	11%	51	-7.4%
Other	52	59	13%	60	-2.2%
Cost of services	(255)	(221)	-13%	(227)	-2.6%
SG&A	(38)	(40)	5.7%	(39)	1.3%
Finance costs	(69)	(94)	35%	(86)	8.5%
Foreign exchange gain	143	(14)	n/a	(17)	-19%
EBITDA	240	319	33%	336	-5.1%
Operating profit	199	281	41%	292	-3.8%
Net profit	222	141	-37%	153	-8.1%
EBITDA margin	48%	59%	10ppts	60%	-1.4ppts
Operating margin	40%	52%	12ppts	52%	-0.5ppts
Net margin	45%	26%	-19ppts	28%	-1.5ppts

Source: IFC Metropol estimates, company data

Bloomberg	NCSP LI
Rating	BUY
Fair value (GDR), USD	10.40
Current price (GDR), USD	6.88
Upside/downside	51%
Market Cap, USD mn	1,766
Free float	22%
Daily traded (3M average), USD '000	647
Share price performance over the last:	
1 week	-1.2%
1 month	-8%
3 months	6%
Year-to-date	-8%

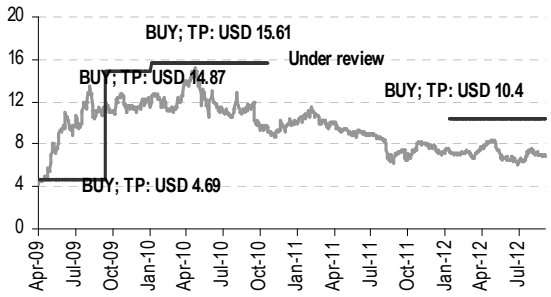
Source: IFC Metropol estimates, Bloomberg

Trading multiples for end-2012, as of September 6

	2012		
	EV/S	EV/EBITDA	P/E
NCSP	3.3	6.5	4.5
Global Ports	4.4	7.7	12.7
EM peers:			
Shenzhen Chiwan (China)	4.3	7.4	11.4
Intl Container Term (Philippines)	4.8	10.8	23.2
MMC Corp (Malaysia)	2.9	8.5	21.1
EM median	***3.1***	***8.5***	***11.4***
DM peers:			
Cosco Pacific (Hong Kong)	7.4	12.4	9.1
Hamburger Hafen Und Logistik (Germany)	1.6	5.8	20.3
Hutchison Port Holdings (Singapore)	7.2	12.4	20.7
DM median	***2.1***	***9.1***	***17.0***

Source: IFC Metropol estimates, Bloomberg

Stock performance and rating history, USD



Source: IFC Metropol estimates, Bloomberg

Andrey Rozhkov rozhkov_a@metropol.ru
Anna Dolaychuk dolajchuk_a@metropol.ru

ANALYST CERTIFICATION

Each research analyst primarily responsible for the content, in whole or part, of this research report certifies that with respect to each security or issuer that the analyst covered in this report: (1) all of the views expressed accurately reflect his or her personal views about those securities or issuers; and (2) no part of his or her compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed by that research analyst in the research report. Global Disclaimer. This report was produced by: “METROPOL” Investment Financial Company Ltd (“METROPOL” IFC Ltd) a member of all leading Russian exchanges: MICEX, RTS and Stock Exchange “Saint-Petersburg”. “METROPOL” IFC Ltd is an affiliate of Metropol (UK) Limited. Head Office: 13 bld 1 Donskaya Street, Moscow, Russia, 119049. This document has been prepared by “METROPOL” IFC Ltd and, except as otherwise specified herein, is communicated by “METROPOL” IFC Ltd. This document is for distribution only under such circumstances as may be permitted by applicable law. The information and opinions contained in this document have been compiled or arrived at based on information obtained from sources believed to be reliable and in good faith. Such information has not been independently verified and no representation or warranty, either expressed or implied, is provided in relation to the accuracy, completeness or reliability of such information and opinions, except with respect to information concerning “METROPOL” IFC Ltd, its subsidiaries and affiliates. All such information and opinions are subject to change without notice and “METROPOL” IFC Ltd is not under any obligation to update or keep current the information contained in the document. Opinions expressed in this document may differ or be contrary to opinions expressed by other business areas or groups of “METROPOL” IFC Ltd as a result of using different assumptions and criteria. This document is for information purposes only. Descriptions of any company or companies or their securities or the markets or developments mentioned herein are not intended to be complete. This document should not be regarded by recipients as a substitute for the exercise of their own judgment. This document has no regard to the specific investment objectives, financial situation or particular needs of any specific recipient. This document is not and should not be construed as an offer, or a solicitation of an offer, to buy or sell any securities or other financial instruments, and cannot be relied upon as a representation that any particular transaction necessarily could have been or can be effected at the stated price. “METROPOL” IFC Ltd and its affiliates, their directors, representatives, employees or clients may have or have had interests or long or short positions in any of the securities or other financial instruments mentioned in this document or of issuers described herein at any time and may make a purchase and/or sale, or offer to make a purchase and/or sale, of any such securities or other financial instruments from time to time in the open market or otherwise, in each case as principals or as agents.

“METROPOL” IFC Ltd and its affiliates may act or have acted as Market Maker in the securities or other financial instruments described in this publication, and may have or have had a relationship with or may provide or have provided investment banking and/or other financial services to the relevant companies. Employees of IFC Metropol or its affiliates may serve or have served as officers or directors of the relevant companies. “METROPOL” IFC Ltd may rely on information barriers, such as "Chinese Walls", to control the flow of information contained in one or more areas within “METROPOL” IFC Ltd, into other areas, units, groups or affiliates of “METROPOL” IFC Ltd. The securities described herein may not be eligible for sale in all jurisdictions or to certain categories of investors. Options, derivative products and futures are not suitable for all investors and trading in these instruments is considered risky. Past performance is not necessarily indicative of future results. Foreign currency rates of exchange may adversely affect the value, price or income of any security or related instrument mentioned in this report. For investment advice, trade execution or other enquiries, clients should contact their local sales representative. Neither “METROPOL” IFC Ltd nor any of its affiliates, nor any of Metropol (UK) Limited or any of its affiliates, directors, employees or agents accept any liability for any direct or consequential loss or damage arising out of the use of all or any part of this document or the information contained herein. This document may not be reproduced, distributed or published, in whole or in part, for any purpose without the written permission of “METROPOL” IFC Ltd and “METROPOL” IFC Ltd accepts no liability whatsoever for the actions of third parties in this respect.

This document should not be distributed, published, reproduced or otherwise made available in whole or in part or disclosed by recipients to any other person and, in particular, should not be distributed to persons with addresses in Canada, Australia, the Republic of South Africa, the Republic of Ireland, Japan, or the United States or in any other country outside the United Kingdom where such distribution may lead to a breach of any law or regulatory requirements.

This document has been approved and communicated by Metropol (UK) Limited in the United Kingdom as non-objective research for the purpose of the Financial Services Authority rule 12.3. It is communicated to persons who are Eligible Counterparties or Professional Clients as defined under the rules of the Financial Services Authority. Circulation must be restricted accordingly. The information contained herein does not apply to, and should not be relied upon by, Retail Customers. Metropol (UK) Limited is incorporated under the laws of England and Wales (Company Number: 03642330), is authorized and regulated by the Financial Services Authority (FRN 191231), and is a member of the London Stock Exchange. Additional information and supporting documentation is available upon request. ©2005 by “METROPOL” IFC Ltd. All rights reserved. Metropol UK Limited, Princes House, 38 Jermyn Street. London, SW1Y6DN.