International Container Terminal Services Inc (ICT PM)

FUNDAMENTAL VIEW [1]

As of 06 Nov 2024

- We expect ICTSI to remain resilient amid global growth slowdown fears owing to inorganic contributions, yield improvements, and strong cost control.
- ICTSI has steadily deleveraged over the past 5 years which we see as prudent financial management. Yet management's recent lean towards growth at the expense of deleveraging could restrain improvements in credit metrics.
- While ICTSI is exposed to material EM-related geopolitical risks, we think its geographically diversified revenue base across 20 countries limits country-specific risks.
- While sizable capex and high dividend payouts could strain ICTSI's credit profile, we take comfort in ICTSI's robust OCF generation that should keep FCFs positive.

RISKS & CATALYSTS

As of 06 Nov 2024

- ICTSI is exposed to material EM-related geopolitical, regulatory and operating risks. That said, we think the impact is mitigated by its geographically diversified revenue base across 20 countries that limits country-specific risks.
- Being an EM-focused port container terminal operator, ICTSI's bonds tend to experience greater volatility from exogenous events.
- Growing capex tendencies and high dividend payouts could strain ICTSI's free cash flows and credit metrics, though we think the impact is mitigated by ICTSI's robust operating cash flow generation.
- While ICTSI is exposed to FX depreciation risks as most of its revenues and cash expenses are in EM currencies, natural hedging has been fairly effective thus far.

CREDIT QUALITY SCORE (CQS) [2]

As of 11 Feb 2025

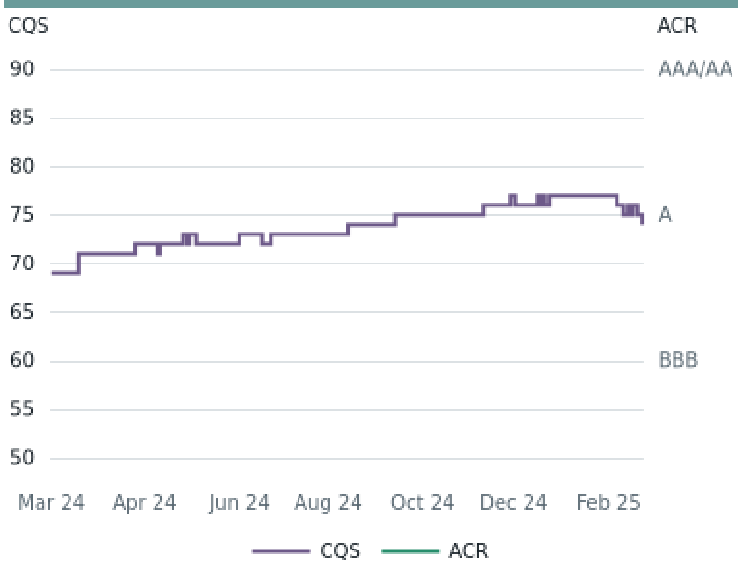
CURRENT CQS

74

CQS OUTLOOK [3]

NEGATIVE | **STABLE** | POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) [4] VS CQS



KEY METRICS

As of 06 Nov 2024

$ MN	FY21	FY22	FY23	LTM 9M23	LTM 9M24
Debt to Book Cap	73.7%	71.9%	73.0%	73.3%	72.3%
Net Debt to Book Cap	62.2%	58.2%	61.0%	63.0%	55.7%
Debt/Total Equity	279.7%	255.3%	269.9%	273.8%	261.6%
Debt/Total Assets	67.5%	62.5%	60.3%	60.6%	59.8%
Gross Leverage	3.7x	3.1x	2.9x	2.9x	2.6x
Net Leverage	3.1x	2.5x	2.4x	2.5x	2.0x
Interest Coverage	3.9x	4.6x	4.4x	4.4x	4.8x
EBITDA Margin	61.1%	62.8%	63.0%	62.5%	64.9%

BUSINESS DESCRIPTION

As of 06 Nov 2024

- ICTSI develops and operates common user container terminals, with a focus on those within Origin and Destination (O&D) ports based in emerging markets.
- ICTSI provides integrated ports services that facilitate the receiving, handling and storage of cargo. These are broadly split into four streams: vessel charges (i.e. services relating to moving cargo on and off ships), yard charges (i.e. services relating to moving cargo in the container and storage yards), storage fees (i.e. services relating to cargo and container storage), and other ancillary fees.
- ICTSI currently operates across 32 port concessions in 19 countries. As of end-FY23, ICTSI's revenues are well diversified across the Philippines (27% of total), Other Asia (14%), EMEA (20%) and the Americas (39%).
- ICTSI operates its container terminals under long-dated concession agreements (typically ~25 years) with the relevant local port authorities or governments. For some concessions, fees charged to customers are regulated by the authorities that prescribe maximum price limits and, in some cases, allow for CPI-linked tariff hikes. For other concessions, fees charged are unregulated and allow for greater price-setting flexibility and volatility too.
- ICTSI is required to make periodic fee payments to the respective authorities for the right to operate the concessions. These payments are typically a combination of fixed charges and variable charges based on cargo traffic volume or gross revenues.

GLOSSARY

[1] The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

[2] The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

[3] The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

[4] The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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