



Asia
China
Transportation

Industry
**Asia Container
Shipping**

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**Recommendation
Change**

Sky Hong, CFA Joe Liew, CFA

Research Analyst Research Analyst
(+852) 2203 6131 (+65) 6423 8507
sky.hong@db.com joe.liew@db.com

Downside risk remains

Adding China Cosco and K-Line to our conviction Sell list

The expectation of further RMB depreciation has started affecting demand negatively, and coupled with continued mega vessel deliveries and lack of supply discipline by lines, it suggests the current downcycle will be prolonged. Against this backdrop, to trigger bottom-fishing by investors, we believe sector P/B needs to fall further, possibly towards 0.5x as seen during the GFC, from the current 1.0x. We add China Cosco to our conviction Sell list as it looks expensive at 1.4x P/B and top-line weakness would outweigh merger synergies. We also downgrade MOL and K-Line to Sell from Hold.

Demand prospect is getting cloudier on RMB move

For the mid-to-long term, RMB depreciation is a positive for China's exports. However, in the short run, any further weakness in the RMB will weaken demand as overseas importers have started delaying their orders. Moreover, the inventory-to-sales ratio for US retailers has hit 1.48x, the highest since the GFC, leaving sufficient room for inventory de-stocking. This negative currency effect is seen in the recent weak Asia-US container volume in an otherwise peak pre-CNY season. Our recent channel checks reveal that Chinese exporters also remain depressed on the export outlook. Thus, we cut our 2016/17E demand growth to 2.0/3.0% from 4.0/4.5% previously.

Supply discipline is the only resort, but looks difficult to achieve

Another 518k TEU of mega vessels will hit the water in 2016 (with 800k more in both 2017 and 2018), which will force Asia-Europe capacity to grow c.10% in 2016 (vs. est.2% demand growth). Liners' supply discipline has also become increasingly difficult to achieve, given the widening cost gap. While the latest mergers (Coscon+CSCL; CMA CGM+NOL) should further consolidate market share, pricing competition typically intensifies post mergers, based on prior experiences. This is due to liners seeking to preserve market share while cargo owners seek to diversify their risks. Moreover, the existing alliances are set to break up post mergers, creating short-term instability for the industry.

How deep and long will this downturn last?

The sector has traded down to 1.0x P/B, vs. 2016E ROE of -19%, which still looks expensive. During the GFC, the sector troughed at 0.5x P/B vs. ROE of -20%. More importantly, investor interest has waned over the past several years as the sector's oversupply was widely expected to persist. This explains why the sector's P/B range has not only moved down but also contracted. We expect a prolonged downcycle; hence, value will only emerge when P/B is closer to the GFC trough of 0.5x.

Conviction Sells: China Cosco, K-Line and Hanjin; key risks

Post restructuring, China Cosco will become a pure container shipping line. We expect any related merger synergies to be offset by the recurring top-line weakness. At 1.4x P/B and loss-making, we view the stock to be overvalued in both absolute and relative terms (Maersk at 0.7x P/B and OOIL at 0.4x P/B). We also cut K-Line to Sell from Hold as its higher exposure to container shipping versus its Japanese peers points to larger downside risks to earnings. We maintain Sell on Hanjin and Yang Ming and downgrade MOL to Sell from Hold. Stronger-than-expected global trade is a key risk.

Key Changes

Company	Target Price	Rating
1919.HK	4.10 to 1.10(HKD)	Hold to Sell
2866.HK	2.60 to 1.50(HKD)	-
9101.T	297.00 to 190.00(JPY)	-
9104.T	330.00 to 150.00(JPY)	Hold to Sell
9107.T	260.00 to 130.00(JPY)	Hold to Sell
117930.KS	3,300.00 to 1,700.00(KRW)	-
2603.TW	12.40 to 10.40(TWD)	-
2609.TW	6.00 to 4.00(TWD)	-
0316.HK	62.00 to 49.50(HKD)	-
601919.SS	3.30 to 0.93(CNY)	-
601866.SS	2.08 to 1.23(CNY)	-

Source: Deutsche Bank

Top picks

China Cosco Hldgs (1919.HK),HKD2.67	Sell
Kawasaki Kisen (9107.T),¥182	Sell
Hanjin Shipping (117930.KS),KRW2,840.00	Sell

Source: Deutsche Bank

In this report we change earnings, target prices, and ratings for companies under our coverage- see Figures 17 and 18 on page 8 for details.



Expectation of further RMB depreciation affects demand negatively

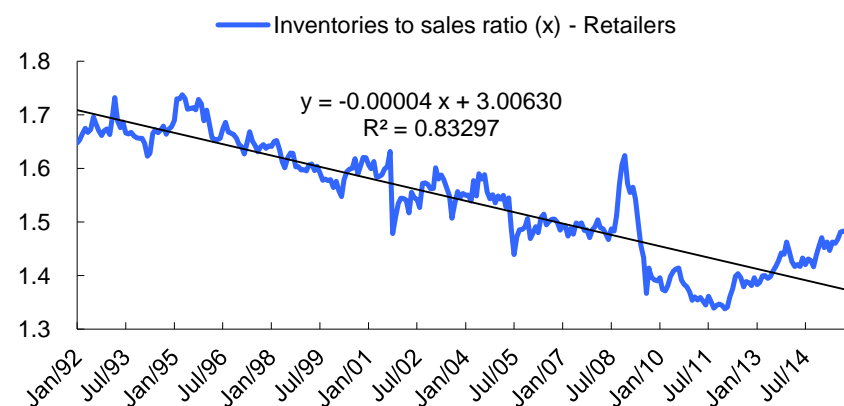
For the mid-to-long term, RMB depreciation is a positive for China's exports. However, in the short run, the widely expected further dip in currency will affect demand in a negative way.

Overseas importers, in light of the possible further devaluation of the RMB against the USD, have started delaying their orders to China. Our latest discussions with manufacturing exporters in China confirm this trend.

According to some exporters, in light of the recent RMB depreciation, overseas customers not only postponed some of their orders but also asked more pricing discounts for orders to be placed. Due to lack of pricing power, some Chinese exporters have largely given the benefit of RMB depreciation to overseas importers by charging lower USD-denominated selling prices.

The high inventory level also enables US importers to delay orders. As Figure 1 shows, US retailers' inventory-to-sales ratio (I/S) has reached 1.48x, the highest since the GFC and well above the trend line. The possible inventory destocking in the US will add substantial headwinds for container shipping demand in 2016, in our view.

Figure 1: US inventories to sales ratio – retailers

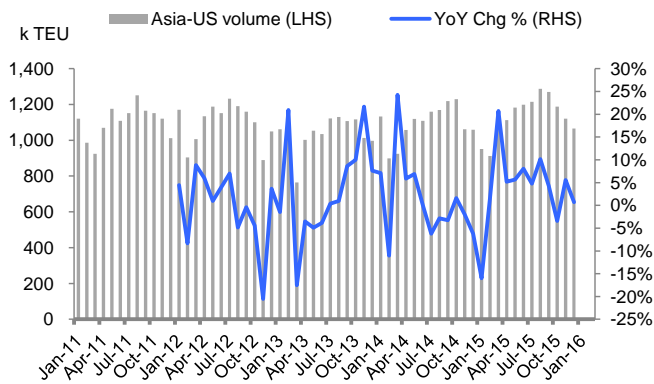


Source: Deutsche Bank, Bloomberg Finance LP

This negative impact appears to be emerging gradually. Asia-to-US volume growth has slowed to merely 0.7% yoy vs. 5.6% in November 2015 and 3.7% for whole year of 2015 (Figure 2). The current pre-CNY peak season also failed to materialize, according to our latest discussions with shipping lines and port operators. Chinese exporters' optimism on the export outlook remains extremely depressed, per our latest channel checks (Figure 3).

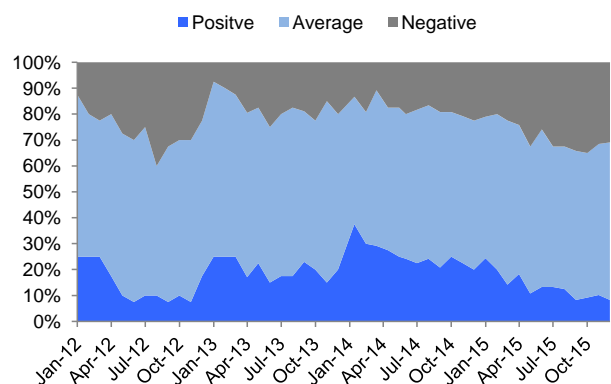


Figure 2: Asia to US volume slows down



Source: Deutsche Bank, Alphaliner

Figure 3: Exporters still have no confidence on outlook

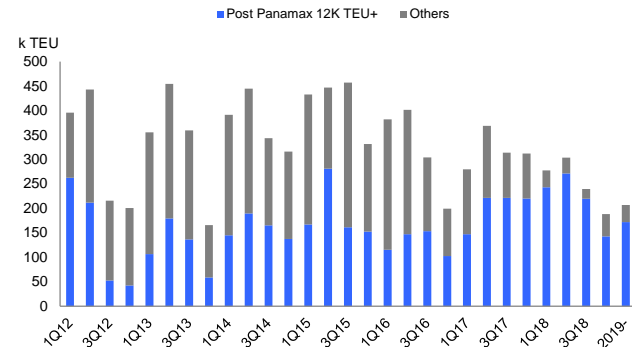


Source: Deutsche Bank

Supply discipline is the only resort, but looks difficult to achieve

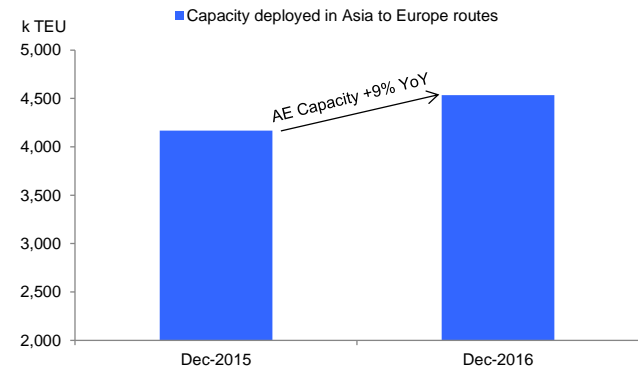
In terms of supply, another 518k TEU mega vessels (defined as 12k TEU above) will hit the water in 2016 (with a further 800k in both 2017 and 2018, (Figure 4), which will force Asia-Europe capacity to grow c.10% yoy in 2016, by our estimates (Figure 5).

Figure 4: Mega vessels deliveries are still substantial...



Source: Deutsche Bank, Clarksons

Figure 5: ...Asia-Europe capacity forced up



Source: Deutsche Bank, Alphaliner, Clarksons

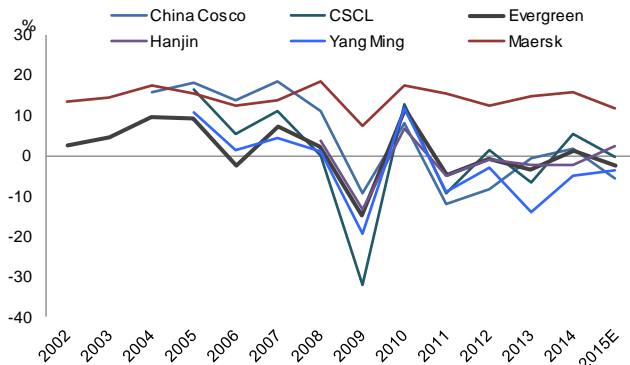
While supply discipline is the only resort for liners, it has become increasingly difficult to achieve in recent years as the operating cost gap further widened between liners.

As Figure 6 shows, in the pre-GFC period, at similar rates, most shipping lines earned positive EBIT margins and some Asian lines were even able to beat Maersk. However, the situation totally changed post GFC. Despite sluggish rates, Maersk continued to deliver positive margins largely on higher market share and larger-size ships while most Asian lines dipped into the red. The widening margin gap between tier-one European and Asia shipping lines, in our view, appeared to be one of the most important factors, leading to the failure of supply/pricing discipline seen in the past few years.



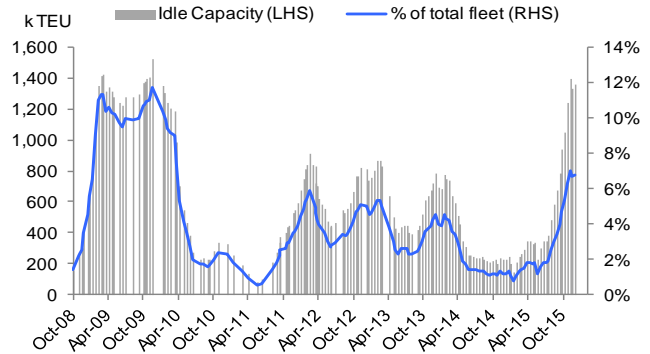
We noticed that idle capacity has been rising, reaching 7% lately (Figure 7). However, against current demand prospects (i.e. low single-digit growth and possibly flat, or even negative growth for certain long-haul routes), and newbuild deliveries as well as built-up oversupply since the GFC, we estimate that in order to lift the cycle, the idle ratio need to rise above 15% at the very least.

Figure 6: Liners' EBIT margin



Source: Deutsche Bank, Company data

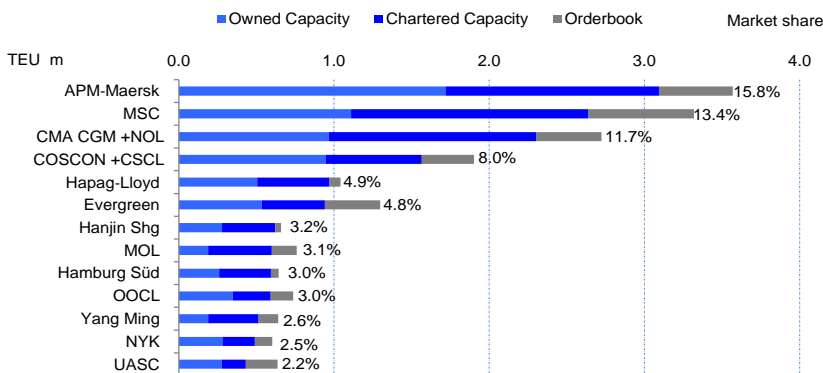
Figure 7: Idle capacity is far from lifting the cycle



Source: Deutsche Bank, Alphaliner

While Coscon's acquisition of CSCL and CMA CGM's purchase of NOL will further raise industry concentration (Figure 8), previous merger cases suggest that pricing competition tended to intensify right after the consolidation. Post merger, the priority of the new company typically is to preserve market share. However, in order to diversify the risk, some cargo owners might choose to allocate a portion of their cargo to other liners. As a result, the new liner, on the back of merger synergies, typically tended to adopt more aggressive pricing strategy, which in turn would push down the rates.

Figure 8: Industry concentration post merger



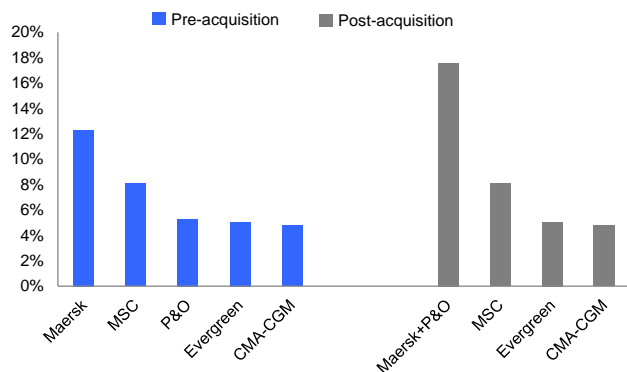
Source: Deutsche Bank, Clarksons

There have been two major merger cases in this industry. In 1997, after acquiring APL, NOL became the No.5 liner globally in terms of operating capacity. The most significant case happened in 2005, when Maersk acquired P&O, the No.3 liner globally. This was the largest ever deal in this sector and, post acquisition, Maersk has further cemented its global No.1 position, with 17.6% market share (vs. 12.3% pre-acquisition), which was 2x of MSC, the second largest player (Figure 9).



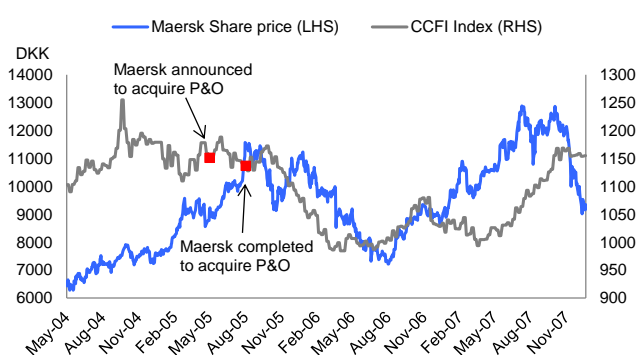
Ironically, despite rising industry concentration, post completion of the deal in August 2005, the CCFI container index continued to drift down until October 2006. Maersk's share price followed suit (Figure 10).

Figure 9: Market share pre- vs. post-acquisition



Source: Deutsche Bank, Alphaliner

Figure 10: Pricing competition intensified post merger



Source: Deutsche Bank, Bloomberg Finance LP, Shanghai Shipping Exchange, company data

Moreover, the existing alliances are set to break up post mergers, which in turn might create short-term instability for the industry. Prior to the mergers, Coscon belongs to the CKYHE alliance while CSCL is a member of Ocean 3. CMA CGM is a member of Ocean 3, while its acquired NOL belongs to G6.

As the existing cooperative contracts for the CKYHE alliance need to be renewed at the end of this year while Ocean 3 alliance would expire in early 2017, the break-up of existing alliances and forming of new ones is likely to stir even more fierce pricing competition, in our view.

As CMA CGM offers a good complement to the network of newly formed Chinese lines (i.e. Coscon +CSCL), we think there is a good chance that the new Chinese line may team up with CMA CGM and possibly Evergreen to form another new alliance. This new alliance would have 25% market share.

Figure 11: Shipping alliances might break up post merger

Alliance	Members	Market share
Pre merger		
2M	Maersk & MSC	29%
Ocean 3	CMA CGM & CSCL & UASC	15%
CKYHE	Coscon & K-Line & Yangming & Hanjin & Evergreen	17%
G6	NYK & OOIL & Hapag-Lloyd & APL & MOL & HMM	18%
Post merger		
2M	Maersk & MSC	29%
New alliance	CMA CGM & APL & Coscon & CSCL & Evergreen	25%
CKYHE	K-Line & Yangming & Hanjin	8%
G6	NYK & OOIL & Hapag-Lloyd & MOL & HMM	15%

Source: Deutsche Bank, Clarksons, Alphaliner



Figure 12 shows our supply/demand model for containers. We expect supply growth to continue to outpace demand in 2016. While overall supply growth in 2017 is expected to close with demand, the oversupply on long-haul routes is likely to persist.

Figure 12: Deutsche Bank's container S/D table

S&D table	2008	2009	2010	2011	2012	2013	2014	2015	2016E	2017E
Nominal supply growth	13.1%	9.2%	7.9%	8.8%	6.9%	5.7%	5.9%	7.6%	6.7%	4.7%
Less: cancellations & slippage	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.5%	0.8%	0.6%
Capable supply growth	13.1%	9.2%	7.9%	8.8%	6.9%	5.7%	5.9%	7.1%	5.9%	4.1%
Adjusted for: idle capacity	-1.0%	-9.0%	4.7%	3.6%	-2.3%	0.4%	1.3%	0.0%	-0.5%	-0.2%
Adjusted for: Slow steaming			-4.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Effective supply growth	12.1%	0.2%	8.6%	12.4%	4.6%	6.1%	7.2%	7.1%	5.4%	3.9%
Demand growth	7.3%	-6.6%	12.1%	7.2%	3.1%	5.0%	5.5%	3.7%	2.0%	3.0%
S/D balance (capable capacity)	5.8%	15.8%	-4.2%	1.6%	3.8%	0.7%	0.4%	3.4%	3.9%	1.1%
S/D balance (effective capacity)	4.8%	6.8%	-3.5%	5.2%	1.5%	1.1%	1.7%	3.4%	3.4%	0.9%

Source: Deutsche Bank, Clarksons

Figure 13 shows our container shipping demand forecasts by route. We expect Asia-Europe volumes to recover to 1.2% in 2016 largely on easier comp. For Transpacific, we expect volume growth to slow down to 1.0% in 2016 on possible de-stocking in the US.

Figure 13: Deutsche Bank container volume forecasts by route

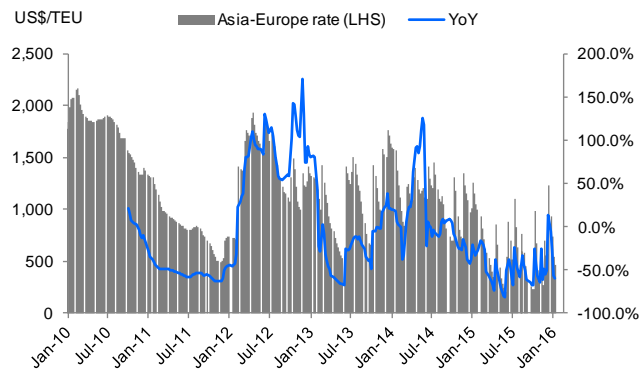
Volumes (TEU m)	2010	2011	2012	2013	2014	2015	2016E	2017E
Transpacific	20.3	20.8	20.8	21.7	22.2	22.9	23.1	23.7
Far East – Europe	19.6	20.5	20.1	21.2	22.2	21.9	22.2	22.7
Transatlantic	5.7	6.1	6.1	6.3	6.6	6.8	6.9	7.1
Intra Asia	34.0	37.5	40.0	43.0	47.9	51.0	52.3	54.1
Other	61.4	64.1	68.0	69.8	72.1	74.7	76.5	78.7
Total	141.0	149.0	155.0	162.0	171.0	177.3	180.9	186.3
Growth (yoy)								
Transpacific	10.3%	2.5%	0.0%	4.3%	2.3%	3.2%	1.0%	2.5%
Far East – Europe	12.6%	4.6%	-2.0%	5.5%	4.7%	-1.4%	1.2%	2.5%
Transatlantic	7.5%	7.0%	0.0%	3.3%	4.8%	3.0%	1.5%	2.3%
Intra Asia	13.3%	10.3%	6.7%	7.5%	11.4%	6.5%	2.5%	3.5%
Other	13.9%	4.4%	6.1%	2.6%	3.3%	3.6%	2.4%	2.9%
Total	12.8%	5.7%	4.0%	4.5%	5.6%	3.7%	2.0%	3.0%

Source: Deutsche Bank estimates, Clarksons



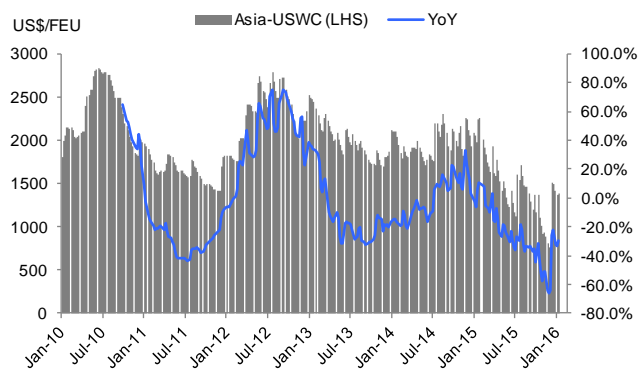
Figures 14 and 15 show Asia-Europe and Transpacific rates, both of which have shown a depressed trend in past a couple of years on persistent oversupply.

Figure 14: Asia-Europe rates have collapsed



Source: Deutsche Bank, Shanghai Shipping Exchange

Figure 15: Transpacific rates also soft



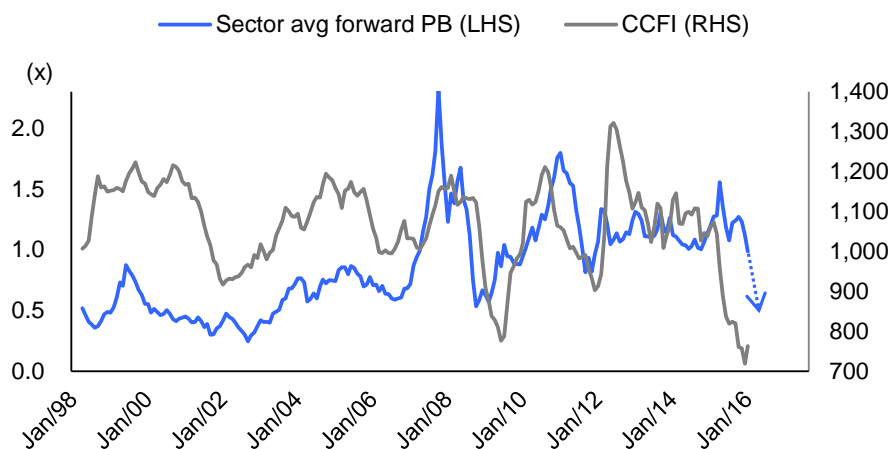
Source: Deutsche Bank, Shanghai Shipping Exchange

How deep and how long will this downturn last?

The sector now is trading at 1.0x P/B vs. 2016E ROE of -19%, which looks expensive. During the GFC, the sector troughed at 0.5x P/B vs. a forward ROE of -20%.

But, more importantly, over the past few years, as the sector's oversupply was widely expected to persist, investors' interests in this sector have been negatively affected. This probably explains why sector P/B range has not only been moving down, but also getting narrower. As the current downcycle is likely to persist possibly until 2018, sector P/B needs to move towards the GFC trough in order to attract possible bottom-fishing by investors, in our view.

Figure 16: Sector P/B needs to move down as suggested by CCFI index



Source: Deutsche Bank, Bloomberg Finance LP, Shanghai Shipping Exchange



Another round of downgrades on earnings, target prices and ratings

We substantially cut our 2016-17E earnings as we turn more cautious on the sector outlook (Figure 17). Instead of profit-making, we now expect the whole sector to continue to post losses over the 2016-17 period. The chance of turning around in 2018 also looks slim as mega vessel supplies remain substantial.

Figure 17: Earnings revisions

Company	Ticker	Cur	New forecasts			Old forecasts			Consensus			% chg new vs. old			% chg DB vs. Street		
			2015E	2016E	2017E	2015E	2016E	2017E	2015E	2016E	2017E	2015E	2016E	2017E	2015E	2016E	2017E
China Cosco	1919.HK	HKDm	247	-8,894	-6,807	-2,784	-1,485	291	-869	-772	379	109%	-499%	-2436%	128%	-1052%	-1898%
CSCL	2866.HK	HKDm	-2,821	1,071	1,252	-399	67	593	-483	482	681	-608%	1509%	111%	-485%	122%	84%
Evergreen	2603.TW	TWDm	-3,022	-6,301	-6,684	-3,022	-3,917	-3,572	-2,090	442	1,973	0%	-61%	-87%	-45%	-1524%	-439%
Hanjin Shpg	117930.KS	KRWbn	123	-344	-399	123	-132	-119	80	-80	-19	0%	-160%	-236%	53%	-331%	-2025%
OOIL	0316.HK	HKDm	212	226	314	267	374	454	340	385	426	-21%	-40%	-31%	-38%	-41%	-26%
Yang Ming	2609.TW	TWDm	-6,297	-8,524	-10,411	-6,297	-5,937	-7,747	-5,025	-1,455	-897	0%	-44%	-34%	-25%	-486%	-1061%
K-Line	9107.T	JPYbn	6.9	-22.0	-23.3	19.5	27.8	34.8	18.0	28.9	32.4	-65%	-179%	-167%	-62%	-176%	-172%
MOL	9104.T	JPYbn	32.9	19.5	19.0	42.1	51.2	68.6	38.2	44.4	50.0	-22%	-62%	-72%	-14%	-56%	-62%
NYK	9101.T	JPYbn	63.1	57.8	64.4	79.5	88.0	106.7	74.5	81.9	88.2	-21%	-34%	-40%	-15%	-29%	-27%

Source: Deutsche Bank estimates, Bloomberg Finance LP, Note: recurring profits for Japanese carriers

Based on earnings cut, we downgrade China Cosco, MOL, and K-Line to Sell from Hold. We add China Cosco and K-Line to our conviction Sell list, in addition to Hanjin Shipping.

Post restructuring, China Cosco will become a pure container shipping line. While some merger synergies might be realized, ongoing top-line weakness, resulting from weak volume and rates, is likely to outweigh merger synergies, in our view. At 1.4x P/B, we think the stock still looks expensive in light of loss-making as well as compared to its peers. For K-Line, given its higher exposure to container shipping than its Japanese peers, we expect it to post a loss in the next few years, which in turn would push down the stock further.

We maintain our Sell rating for Yang Ming and Hanjin. Apart from excessive valuations, both Hanjin and Yang Ming look more vulnerable than others given their stretched balance sheets.

Figure 18: Summary of rating and target price changes

Company	Ticker	New rating	Old rating	New TP	Old TP	% chg	Share price	% upside	P/B 15E	P/B 16E
China Cosco-H	1919.HK	Sell	Hold	1.1	4.1	-73%	2.62	-58%	0.92	1.44
China Cosco-A	601919.SS	Sell	Sell	0.93	3.30	-72%	5.47	-83%	2.27	3.55
CSCL-H	2866.HK	Hold	Hold	1.5	2.6	-42%	1.36	10%	0.61	0.58
CSCL-A	601866.SS	Sell	Sell	1.23	2.08	-41%	4.28	-71%	2.28	2.17
Evergreen	2603.TW	Hold	Hold	10.4	12.4	-16%	11.5	-10%	0.69	0.78
Hanjin Shipping	117930.KS	Sell	Sell	1700	3300	-48%	2715	-37%	0.62	1.05
OOIL	0316.HK	Buy	Buy	49.5	62.0	-20%	26.8	85%	0.45	0.43
Yang Ming	2609.TW	Sell	Sell	4.0	6.0	-33%	8.0	-50%	0.84	1.21
K-Line	9107.T	Sell	Hold	130	260	-50%	169	-23%	0.36	0.38
MOL	9104.T	Sell	Hold	150	330	-55%	184	-18%	0.37	0.36
NYK	9101.T	Hold	Hold	190	297	-36%	192	-1%	0.40	0.40
Sector average						-41%		-23%	0.90	1.11

Source: Deutsche Bank, Bloomberg Finance LP, share price as of Feb 12



Figure 19: Regional comparison table

Company	Ticker	Cur.	Rating	Share Price	TP	Daily volume	Mkt Cap	P/B (x)			ROE (%)			Net Gearing (%)		
								2015E	2016E	2017E	2015E	2016E	2017E	2015E	2016E	2017E
China Cosco-H	1919.HK	HKD	Sell	2.62	1.1	6.3	3,437	0.92	1.44	2.53	1.0	-44.1	-55.2	110	63	106
China Cosco-A	601919.SS	RMB	Sell	5.47	0.93	118.9	8,506	2.27	3.55	6.26	1.0	-44.1	-55.2	110	63	106
CSCL-H	2866.HK	HKD	Hold	1.36	1.5	13.0	2,040	0.61	0.58	0.55	-12.1	4.8	5.3	91	110	114
CSCL-A	601866.SS	RMB	Sell	4.28	1.23	98.8	7,611	2.28	2.17	2.06	-12.1	4.8	5.3	91	110	114
Evergreen	2603.TW	TWD	Hold	11.5	10.4	2.1	1,057	0.69	0.78	0.89	-5.1	-11.5	-13.9	87	100	139
Hanjin Shipping	117930.KS	KRW	Sell	2715	1700	2.7	164	0.62	1.05	4.96	15.7	-50.7	-130.3	660	NA	NA
NOL	NEPS.SI	SGD	Sell	1.25	0.95	12.4	2,312	0.94	0.96	0.94	33.3	-1.7	2.5	116	119	113
OOIL	0316.HK	HKD	Buy	26.8	49.5	2.2	2,154	0.45	0.43	0.41	4.5	4.6	6.2	44	46	46
Yang Ming	2609.TW	TWD	Sell	8.0	4.0	3.0	559	0.84	1.21	2.72	-20.7	-36.9	-76.5	218	354	856
Container average								0.72	0.92	1.86	2.4	-19.4	-37.4	189	132	229
K-Line	9107.T	JPY	Sell	169	130	37.7	1,408	0.36	0.38	0.39	1.1	-3.4	-3.8	55	66	83
MOL	9104.T	JPY	Sell	184	150	39.9	1,969	0.37	0.36	0.37	-25.5	2.8	2.7	149	149	161
NYK	9101.T	JPY	Hold	192	190	43.4	2,897	0.40	0.40	0.39	2.7	2.3	2.6	81	78	66
Japanese carrier average								0.38	0.38	0.38	-7.2	0.6	0.5	95	97	103
Seaspan	SSW.N	USD	Buy	15.5	25	5.0	1,515	0.83	0.82	NA	5.6	7.9	NA	164	169	NA
Textainer	TGH.N	USD	Hold	8.8	15	5.5	499	0.41	0.41	NA	10.7	10.2	NA	236	246	NA
TAL International	TAL.N	USD	NA	9.4	NA	5.9	313	0.48	0.43	0.40	14.7	10.3	10.2	444	444	444
Sinotrans Shipping	368.HK	HKD	NA	1.1	NA	0.5	569	0.27	0.27	0.26	-1.0	0.4	2.1	-25	-25	-25
Container leasing average								0.50	0.48	0.33	7.5	7.2	6.1	205	209	210

Source: Deutsche Bank, Bloomberg Finance LP, share prices as of Feb 12

Individual company review

China Cosco – H (1919.HK, Sell, target price HK\$1.1)

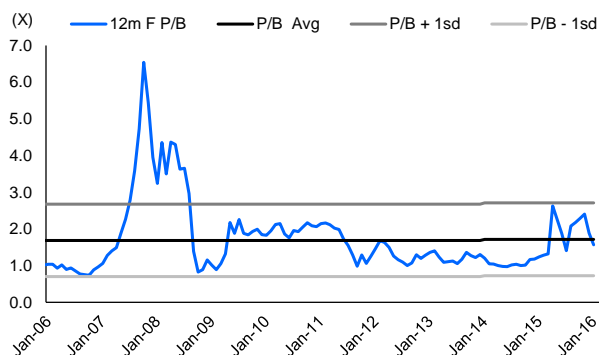
China Cosco's restructuring has been approved by minority shareholders on 1 February. Post restructuring, the company will become a pure container shipping line (plus port business). While the disposal of dry bulk at 1.15x P/B and acquisition of CSCL's container shipping business are two positives for China Cosco, we are extremely concerned about the container shipping outlook. The US is likely to de-stock this year in light of elevated US retailers' inventory-to-sales ratio and expectations of further RMB depreciation vs. USD. To make things even worse, the deliveries of mega vessels are set to accelerate.

The stock has pulled back 26% since it was re-listed in mid December last year. However, at 1.4x P/B, it still looks expensive as we expect the company to make a loss over the 2016-18 period. With 2016E ROE of -44%, we think the stock deserves a P/B at 0.6x (hence our new target price of HK\$1.1). We maintain Sell for the A-share (601919.SS) at the new target price of CNY0.93, which is based on our H-share target price, adjusted for foreign exchange rates. We noticed that the stock has been trading at a premium over regional carriers historically. Pre-GFC, this premium can be easily explained. As the largest dry bulk player globally, the company performed very well and stock was also more liquid than its peers. However, post GFC and particularly in the past few years, given the severe dry bulk downturn and stock liquidity dry-up, we have been struggling to find convincing factors to support this premium. We think a possible explanation lies in its mixed business (i.e. dry bulk + container shipping), which makes a peer comparison more difficult. With the company becoming a pure container shipping post the restructure, benchmarking to peers such as Maersk (0.7x P/B) and OOIL (0.4x P/B) is more



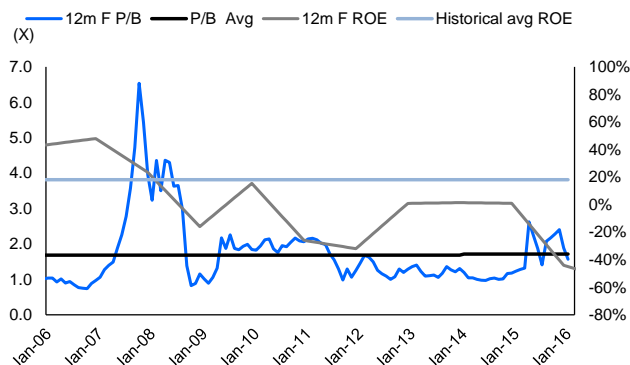
comparable and at current levels, it points to further downside risk to the stock. We cut China Cosco to Sell from Hold and add it to our conviction Sell list. Key macro risk is stronger-than-expected global trade. Company-specific risk lies in stronger-than-expected merger synergies.

Figure 20: China Cosco 12m forward P/B



Source: Deutsche Bank, Company data

Figure 21: China Cosco 12m forward P/B vs. ROE



Source: Deutsche Bank, Company data

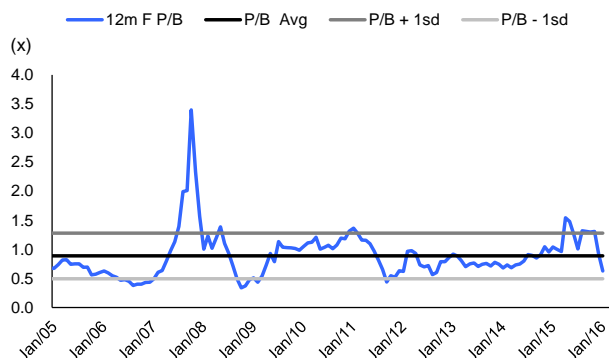
■ **China Shipping Container Liner (2866.HK, Hold, target price HK\$1.5)**

Post restructuring (i.e. acquire box leasing and charter out container vessels), the company would effectively change from a container shipping line into a box/vessel leasing company. While earnings for the new company would be a lot more stable (pro forma 9M15 earnings RMB0.9bn vs. pre-transactions net loss of RMB1.1bn), the outlook for the leasing business also remain challenging.

For box leasing, after acquiring Florens and Dongfang and combing its own containers, CSCL's box leasing scale would make it No.4 globally. However, due to soft box leasing demand and abundant supplies in a lower interest rate environment, box leasing rates have hit historical lows recently and a near-term pick-up looks unlikely. As a result, when new boxes are contracted and existing boxes are renewed at lower rates, there might be further downside risk to earnings for this segment. For vessel leasing, given the current depressed state of the market and strong bargaining power of China Cosco, the returns for CSCL's container vessels are unlikely to be lucrative, in our view. Our target price is based on 0.6x forward P/B. Seaspan, which is also involved in the vessel chartering business, is at 0.8x P/B while Textainer, the largest box lessor in the work, is trading at 0.4x P/B. Hold rated. We maintain Sell for the A-share (601866.SS) with target price of CNY1.23, which is based on H-share target price after adjusting for foreign exchange rates. Key macro risk: higher/lower-than-expected box leasing demand. Company-specific risk lies in stronger/weaker-than-expected synergies from the restructuring.

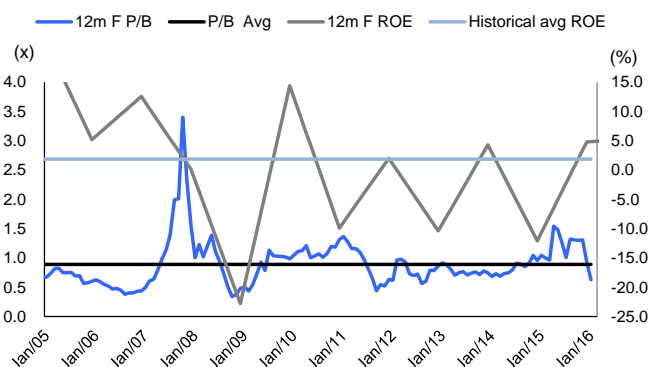


Figure 22: CSCL 12m forward P/B



Source: Deutsche Bank, Company data

Figure 23: CSCL 12m forward P/B vs. ROE

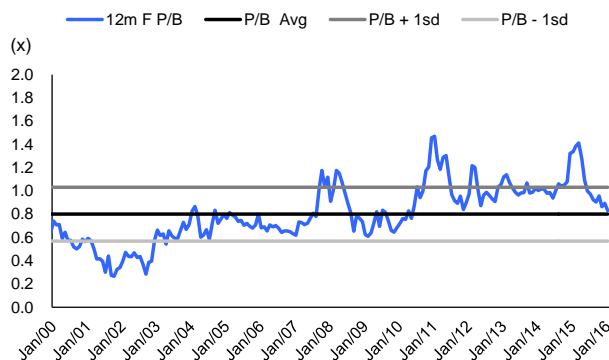


Source: Deutsche Bank, Company data

■ **Evergreen (2603.TW, Hold, target price NT\$10.4)**

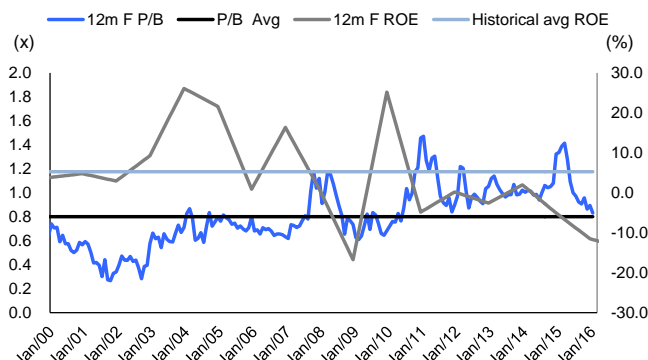
We have cut our 2016-17E earnings substantially as we are turning more cautious on the container outlook. We now expect the company to continue to post a loss over 2016-17, with negative ROE above 10%. Along with our earnings cut, we have reduced our target price to NT\$10.4 (from NT\$12.4 previously). We have pegged it at 0.7x P/B (vs. 0.8x P/B previously) as we expect the company to continue to post deeper losses going forward. The key macro risk is higher-/lower-than-expected rates. As the company also holds a stake in Eva Airways, stronger-/weaker-than-expected earnings from Eva Airways is a company-specific risk.

Figure 24: Evergreen 12m forward P/B



Source: Deutsche Bank, Company data

Figure 25: Evergreen 12m forward P/B vs. ROE



Source: Deutsche Bank, Company data

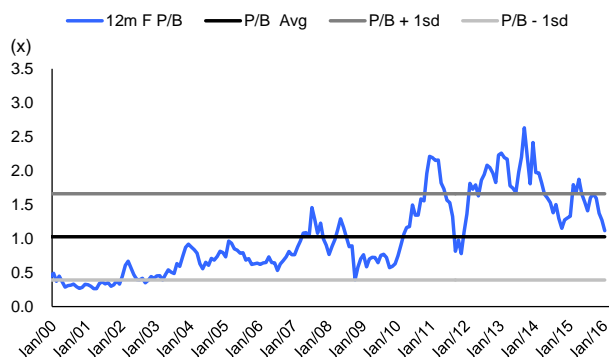
■ **Hanjin Shipping (117930.KS, Sell, target price KRW1,700)**

Along with deteriorating demand outlook and possible heating-up of pricing completion post merger of shipping lines, we have substantially increased our 2016-17E loss expectations for Hanjin Shipping. As the container downcycle is likely to be prolonged and considering its extremely high net gearing (>600% in 2015E) and heavy interest expense burden (>KRW300bn), we do not rule out the chance that the company might run into liquidity issues. Post our earnings cut, the stock is trading at 1.0x P/B, which is expensive among our coverage universe. We maintain Sell on the stock with a new target price of KRW1,700, based on 0.6x P/B (vs. old target price of KRW3,300, based on 0.6x P/B). The stock remains our conviction Sell. A key upside risk is stronger-than-expected



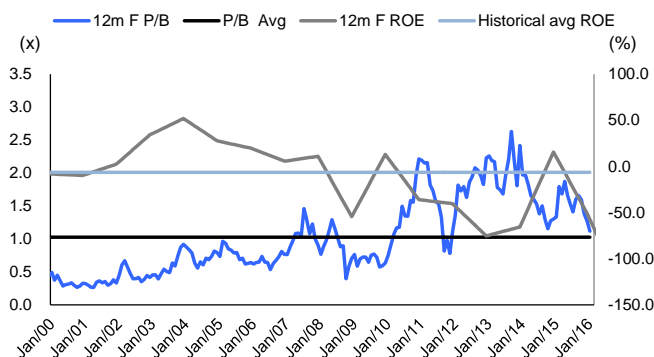
container rates. As the company is also exposed to dry bulk, better-than-expected dry bulk rates are a company-specific risk.

Figure 26: Hanjin 12m forward P/B



Source: Deutsche Bank, Company data

Figure 27: Hanjin 12m forward P/B vs. ROE

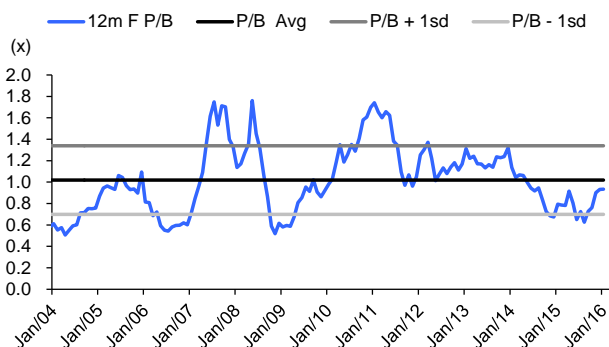


Source: Deutsche Bank, Company data

■ **Neptune Orient Lines (NEPS.SI, Sell, target price S\$0.95)**

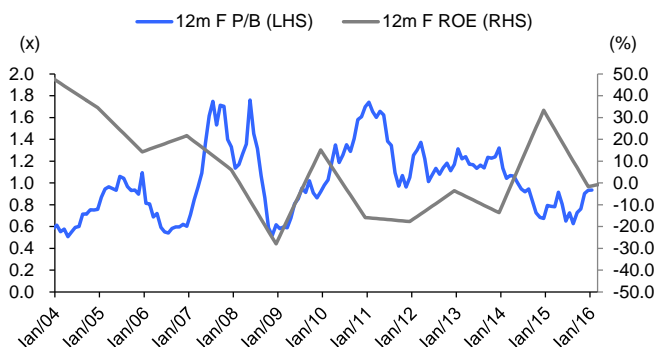
We expect NOL to continue to lose money this year, which will be its sixth year of losses (excluding exceptional items) in a row. Hence, at 0.9x 2016E P/B, the stock looks unattractive. We would encourage investors to sell the stock now and look elsewhere for returns. The stock is currently trading at a 5% discount to CMA CGM's intended offer of S\$1.3/share. The offer is subject to anti-trust clearances in the US, EU and China, which the company expects by mid-2016. Even though we think it should get these approvals, there is still risk that it might not happen. CMA CGM has been accumulating NOL shares in the market over the past month at the S\$1.23/share level, creating a floor to share price, in our opinion. Our TP is based on 0.8x 2016E P/B. Key macro risk is better-than-expected US and European economic growth as that drives industry demand and rates. Key company-specific risk is CMA CGM's offer price being raised.

Figure 28: NOL 12m forward P/B



Source: Deutsche Bank, company data

Figure 29: NOL 12m forward P/B vs. ROE



Source: Deutsche Bank, company data

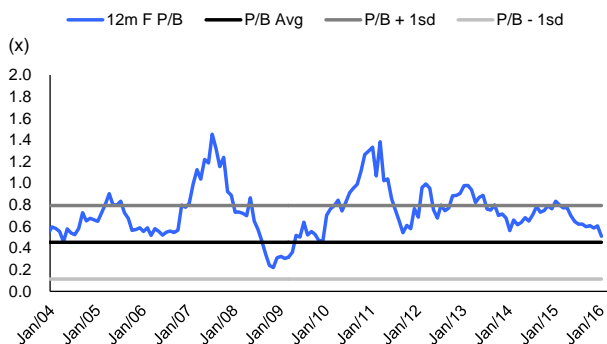
■ **OOIL (0316.HK, Buy, target price HK\$49.5)**

OOIL's average revenue per TEU in 4Q15 fell 17.3% yoy (-7.6% yoy), a reflection of the challenging operating environment for container liners. With a more challenging rate outlook this year, we are cutting our 2015-17 net profit



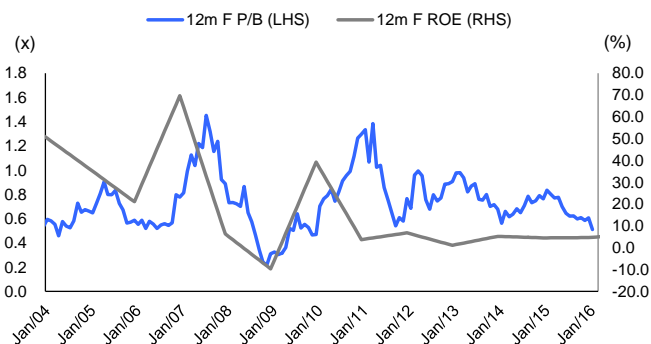
forecasts from US\$267m/374m/454m to US\$212m/226m/314m, respectively. We are cutting our target price from 1x P/B to 0.8x 2016E P/B. This translates to HK\$49.5/share. We have retained our Buy rating because the stock is at an inexpensive 0.5x 2016E P/B. Key downside risk is the weaker-than-expected freight rates. This may be caused by an increase in industry newbuild ordering that causes an increase in industry supply, or weaker-than-expected end demand.

Figure 30: OOIL 12m forward P/B



Source: Deutsche Bank, company data

Figure 31: OOIL 12m forward P/B vs. ROE

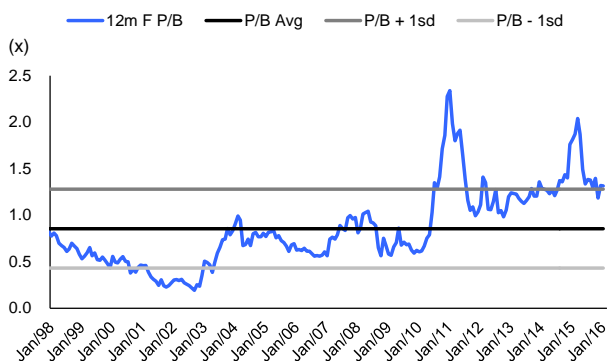


Source: Deutsche Bank, company data

■ **Yang Ming (2609.TW, Sell, target price NT\$4.0)**

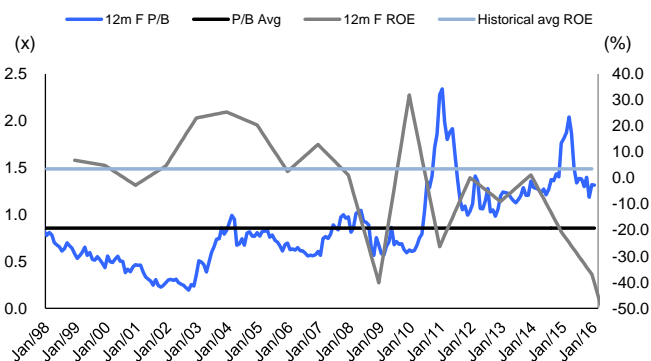
We significantly cut our 2016-17E earnings as we plug in more bearish assumptions on rates and volume for containers in light of a deteriorating sector outlook. At 1.2x P/B, the stock remains one of the most expensive names in our regional coverage and looks stretched vs. deep loss-making we project ahead, and its extremely geared balance sheet. Given our earnings cut, we reduce our target price of NT\$4.0 based on 0.6x P/B (vs. previous target price of NT\$6.0, based on 0.7x P/B). The key macro risk is stronger-than-expected global trade. As the company is also exposed to dry bulk, a stronger-than-expected dry bulk rate is a company-specific risk.

Figure 32: Yang Ming 12m forward P/B



Source: Deutsche Bank, Company data

Figure 33: Yang Ming 12m forward P/B vs. ROE



Source: Deutsche Bank, Company data

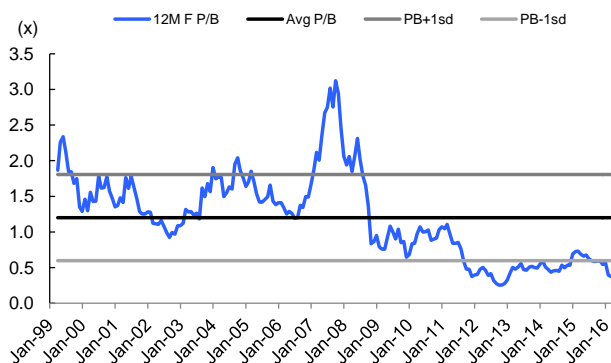
■ **K-Line (9107.T, Sell, target price JPY130)**

The company turned to a recurring loss of JPY4.3bn in 3Q, which was the first time since 4Q12. Container largely drove the 3Q downside, posting a JPY7.4bn



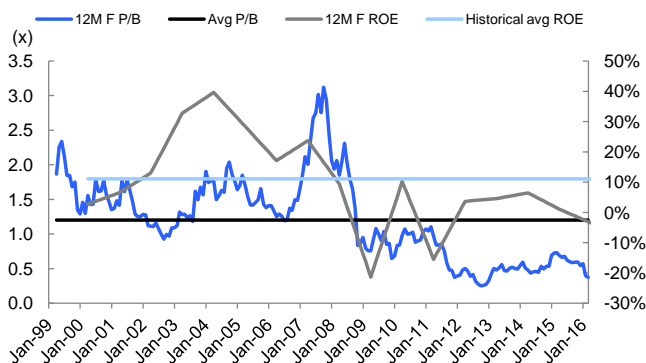
recurring loss (vs. recurring profit of JPY8.7bn in the same period last year). As the downturn for container shipping is likely to stay deep and long, we are very much worried about its earnings outlook. Note that among all the three Japanese shippers, K-Line has the highest exposure to container space (50% revenue vs. 20% for other two). Against this backdrop, we have significantly reduced our earnings for K-Line. Instead of profit-making, we now expect K-Line to post a recurring loss of JPY22bn and JPY23bn, respectively, in FY3/17 and FY3/18 (vs. consensus forecasts of recurring profit of JPY29bn for FY3/17 and JPY32bn for FY3/18). We reduce our target price to JPY130, based on 0.3x P/B (previously target price JPY260, based on 0.55x P/B). We downgrade the stock to Sell from Hold and add it to our conviction Sell list. Key macro risk: stronger-than-expected global growth. Key company risk: weaker-than-expected Yen.

Figure 34: K-Line 12m forward P/B



Source: Deutsche Bank, Company data

Figure 35: K-Line 12m forward P/B vs. ROE



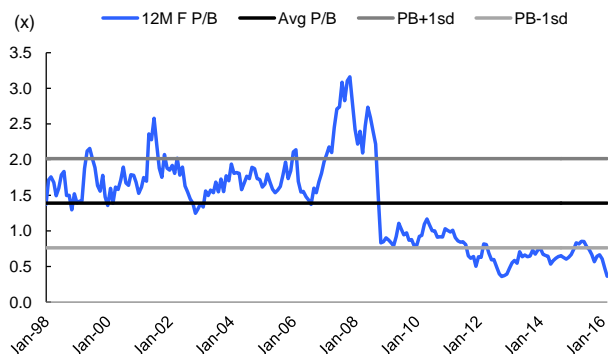
Source: Deutsche Bank, Company data

■ **MOL (9104.T, Sell, target price JPY150)**

MOL's container surprised the market on the downside, posting a recurring loss of JPY9bn. As the outlook for container shipping has become even cloudier recently and current downturn is likely to persist in the coming few years, we are concerned that MOL's earnings might continue to slide going forward. Plus, among all the three Japanese carriers, MOL has the highest spot exposure in terms of dry bulk shipping, which has suffered greatly on China's slowdown. We have significantly cut its FY3/17-18E earnings. Our recurring profit forecasts for FY3/17 and FY3/18 are 56% and 62%, lower than the Street. Along with our earnings decrease, we downgrade MOL to Sell from Hold, with a new target price of JPY150, based on 0.3x P/B (vs. previous target price of JPY330, based on 0.5x P/B). Key macro risk: stronger-than-expected global growth. Key company risk: weaker-than-expected Yen.

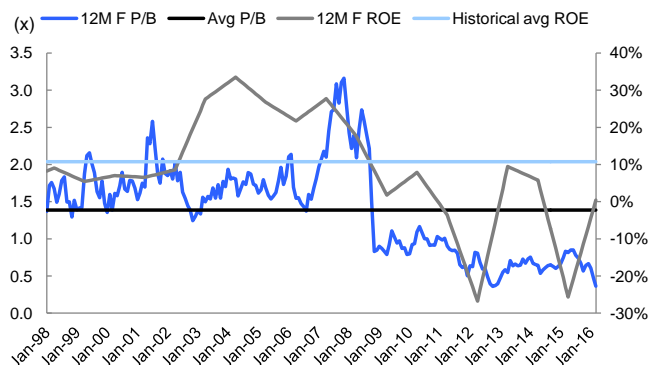


Figure 36: MOL 12m forward P/B



Source: Deutsche Bank, Company data

Figure 37: MOL 12m forward P/B vs. ROE

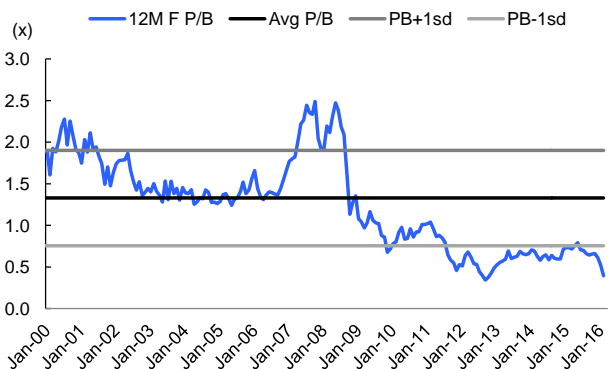


Source: Deutsche Bank, Company data

■ **NYK (9101.T, Hold, target price JPY190)**

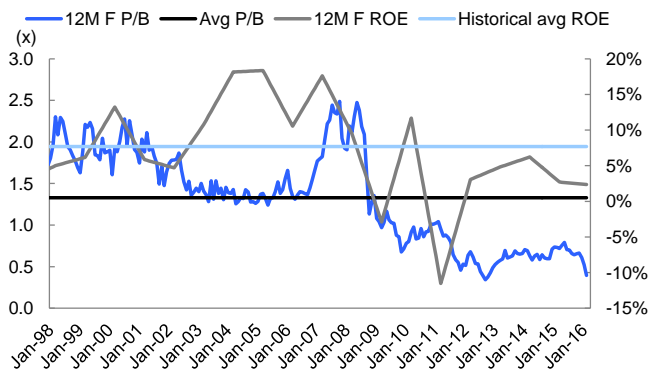
The worse-than-expected container and dry bulk operations have led to a worse-than-expected 3Q for NYK. The company also reduced its full-year guidance post the results. Looking ahead, as both container and dry bulk shipping is likely to stay depressed, we see further downside risk to NYK's earnings going forward. We have substantially reduced its FY3/17-18 earnings. Consensus forecasts look too optimistic and our FY3/17 and FY3/18 recurring profit are 61% and 59%, respectively, lower than consensus estimates. The stock has declined 36% in past two months. At 0.4x P/B, it looks that downside risk to earnings has been largely priced in. We continue to rate the stock a Hold but lower our target price to JPY190, based on 0.4x (from previous TP of JPY297, based on 0.6x P/B). Key macro risk: stronger-/weaker-than-expected global growth. Key company risk: stronger-/weaker-than-expected Yen.

Figure 38: NYK 12m forward P/B



Source: Deutsche Bank, Company data

Figure 39: NYK 12m forward P/B vs. ROE



Source: Deutsche Bank, Company data



Model updated: 04 February 2016

Running the numbers

Asia
 China
 Marine

China Cosco Hldgs

Reuters: 1919.HK Bloomberg: 1919.HK

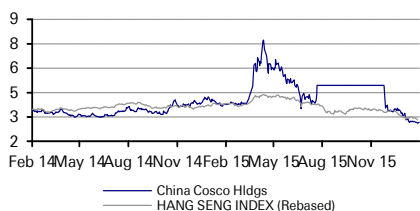
Sell

Price (15 Feb 16) HKD 2.67
 Target Price HKD 1.10
 52 Week range HKD 2.62 - 7.74
 Market Cap (m) HKDm 27,277
 USDm 3,503

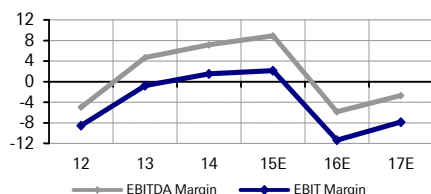
Company Profile

China COSCO Holdings Co. Ltd is the second-largest integrated shipping company in the world. The company, together with its subsidiaries, provides a wide range of container shipping, terminal, container leasing and logistics services across the container shipping value chain for both international and domestic customers.

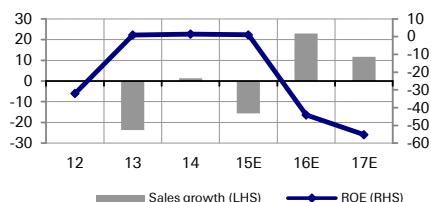
Price Performance



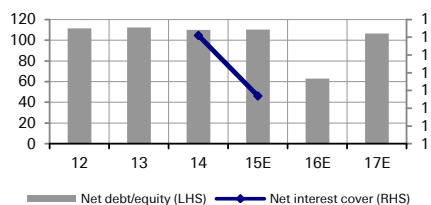
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Dec

Financial Summary

	2012	2013	2014	2015E	2016E	2017E
DB EPS (CNY)	-0.94	0.02	0.04	0.02	-0.87	-0.67
Reported EPS (CNY)	-0.94	0.02	0.04	0.02	-0.87	-0.67
DPS (CNY)	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (CNY)	2.5	2.4	2.4	2.4	1.5	0.9
Weighted average shares (m)	10,216	10,216	10,216	10,216	10,216	10,216
Average market cap (CNYm)	32,519	30,112	27,312	23,011	23,011	23,011
Enterprise value (CNYm)	78,427	84,181	80,504	75,257	51,049	61,109

Valuation Metrics

P/E (DB) (x)	nm	127.9	75.4	93.1	nm	nm
P/E (Reported) (x)	nm	127.9	75.4	93.1	nm	nm
P/BV (x)	1.26	1.26	1.28	0.93	1.46	2.58
FCF Yield (%)	nm	nm	nm	10.1	nm	nm
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	0.9	1.2	1.2	1.3	0.7	0.8
EV/EBITDA (x)	nm	26.8	16.5	14.7	nm	nm
EV/EBIT (x)	nm	nm	77.2	60.9	nm	nm

Income Statement (CNYm)

Sales revenue	88,329	67,384	68,254	57,562	70,797	79,100
Gross profit	936	3,553	7,863	3,650	2,838	3,347
EBITDA	-4,367	3,142	4,882	5,126	-4,138	-2,127
Depreciation	3,154	3,655	3,840	3,891	3,883	4,077
Amortisation	0	0	0	0	0	0
EBIT	-7,521	-513	1,042	1,235	-8,022	-6,204
Net interest income/(expense)	-1,587	-2,103	-1,901	-2,282	-2,290	-1,689
Associates/affiliates	1,711	1,102	1,366	1,434	0	0
Exceptionals/extraordinary	0	0	0	0	0	0
Other pre-tax income/(expense)	0	4,692	0	0	0	0
Profit before tax	-7,397	3,179	507	388	-10,311	-7,893
Income tax expense	740	299	-1,044	97	-2,578	-1,973
Minorities	1,422	2,644	1,188	44	1,160	888
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	-9,559	235	362	247	-8,894	-6,807
DB adjustments (including dilution)	0	0	0	0	0	0
DB Net profit	-9,559	235	362	247	-8,894	-6,807

Cash Flow (CNYm)

Cash flow from operations	-5,206	-2,317	6,037	3,316	3,368	-3,173
Net Capex	-10,947	-10,629	-6,958	-1,000	-6,000	-6,000
Free cash flow	-16,154	-12,946	-921	2,316	-2,632	-9,173
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0
Net inc/(dec) in borrowings	10,238	8,241	-10,111	943	-32,759	0
Other investing/financing cash flows	5,290	6,575	2,531	-2,760	28,000	0
Net cash flow	-626	1,870	-8,501	500	-7,391	-9,173
Change in working capital	-2,896	-3,276	-693	-504	6,092	-2,513

Balance Sheet (CNYm)

Cash and other liquid assets	46,765	49,057	39,706	40,205	32,814	23,641
Tangible fixed assets	80,643	81,404	80,097	76,134	42,124	42,864
Goodwill/intangible assets	202	114	107	107	107	107
Associates/investments	17,092	11,161	12,624	14,059	14,059	14,059
Other assets	20,505	20,126	16,254	17,869	25,437	26,501
Total assets	165,208	161,862	148,788	148,373	114,541	107,172
Interest bearing debt	93,204	96,395	86,943	87,886	55,128	55,128
Other liabilities	30,306	23,353	18,887	17,238	23,898	22,449
Total liabilities	123,510	119,748	105,830	105,124	79,026	77,576
Shareholders' equity	25,137	24,223	24,379	24,626	15,733	8,925
Minorities	16,561	17,891	18,579	18,622	19,782	20,670
Total shareholders' equity	41,698	42,114	42,958	43,249	35,515	29,596
Net debt	46,439	47,338	47,238	47,681	22,313	31,486

Key Company Metrics

Sales growth (%)	nm	-23.7	1.3	-15.7	23.0	11.7
DB EPS growth (%)	na	na	53.8	-31.7	na	23.5
EBITDA Margin (%)	-4.9	4.7	7.2	8.9	-5.8	-2.7
EBIT Margin (%)	-8.5	-0.8	1.5	2.1	-11.3	-7.8
Payout ratio (%)	nm	0.0	0.0	0.0	nm	nm
ROE (%)	-32.0	1.0	1.5	1.0	-44.1	-55.2
Capex/sales (%)	12.9	15.8	10.2	10.4	8.5	7.6
Capex/depreciation (x)	3.6	2.9	1.8	1.5	1.5	1.5
Net debt/equity (%)	111.4	112.4	110.0	110.2	62.8	106.4
Net interest cover (x)	nm	nm	0.5	0.5	nm	nm

Source: Company data, Deutsche Bank estimates



Model updated: 04 February 2016

Running the numbers

Asia
China
Marine

China Cosco Hldgs

Reuters: 601919.SS Bloomberg: 601919.CH

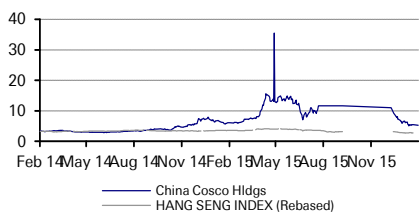
Sell

Price (15 Feb 16)	CNY 5.33
Target Price	CNY 0.93
52 Week range	CNY 5.09 - 35.50
Market Cap (m)	CNYm 54,451 USDm 8,288

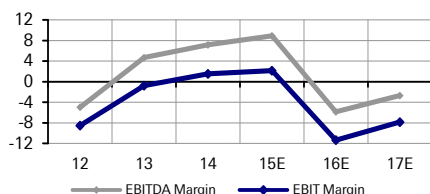
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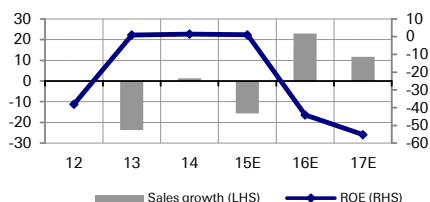
Price Performance



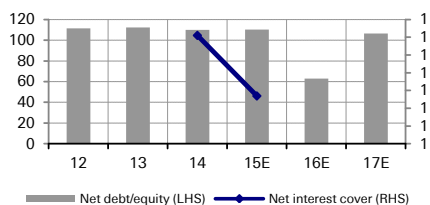
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Dec

Financial Summary

	2012	2013	2014	2015E	2016E	2017E
DB EPS (CNY)	-0.94	0.02	0.04	0.02	-0.87	-0.67
Reported EPS (CNY)	-0.94	0.02	0.04	0.02	-0.87	-0.67
DPS (CNY)	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (CNY)	2.5	2.4	2.4	2.4	1.5	0.9
Weighted average shares (m)	10,216	10,216	10,216	10,216	10,216	10,216
Average market cap (CNYm)	47,768	35,493	38,157	54,451	54,451	54,451
Enterprise value (CNYm)	93,676	89,562	91,349	106,696	82,489	92,549

Valuation Metrics

P/E (DB) (x)	nm	150.7	105.4	220.2	nm	nm
P/E (Reported) (x)	nm	150.7	105.4	220.2	nm	nm
P/BV (x)	1.79	1.39	3.02	2.21	3.46	6.10
FCF Yield (%)	nm	nm	nm	4.3	nm	nm
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	1.1	1.3	1.3	1.9	1.2	1.2
EV/EBITDA (x)	nm	28.5	18.7	20.8	nm	nm
EV/EBIT (x)	nm	nm	87.6	86.4	nm	nm

Income Statement (CNYm)

Sales revenue	88,329	67,384	68,254	57,562	70,797	79,100
Gross profit	936	3,553	7,863	3,650	2,838	3,347
EBITDA	-4,367	3,142	4,882	5,126	-4,138	-2,127
Depreciation	3,154	3,655	3,840	3,891	3,883	4,077
Amortisation	0	0	0	0	0	0
EBIT	-7,521	-513	1,042	1,235	-8,022	-6,204
Net interest income/(expense)	-1,587	-2,103	-1,901	-2,282	-2,290	-1,689
Associates/affiliates	1,711	1,102	1,366	1,434	0	0
Exceptionals/extraordinary	0	0	0	0	0	0
Other pre-tax income/(expense)	0	4,692	0	0	0	0
Profit before tax	-7,397	3,179	507	388	-10,311	-7,893
Income tax expense	740	299	-1,044	97	-2,578	-1,973
Minorities	1,422	2,644	1,188	44	1,160	888
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	-9,559	235	362	247	-8,894	-6,807
DB adjustments (including dilution)	0	0	0	0	0	0
DB Net profit	-9,559	235	362	247	-8,894	-6,807

Cash Flow (CNYm)

Cash flow from operations	-5,206	-2,317	6,037	3,316	3,368	-3,173
Net Capex	-10,947	-10,629	-6,958	-1,000	-6,000	-6,000
Free cash flow	-16,154	-12,946	-921	2,316	-2,632	-9,173
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0
Net inc/(dec) in borrowings	10,238	8,241	-10,111	943	-32,759	0
Other investing/financing cash flows	5,290	6,575	2,531	-2,760	28,000	0
Net cash flow	-626	1,870	-8,501	500	-7,391	-9,173
Change in working capital	-2,896	-3,276	-693	-504	6,092	-2,513

Balance Sheet (CNYm)

Cash and other liquid assets	46,765	49,057	39,706	40,205	32,814	23,641
Tangible fixed assets	80,643	81,404	80,097	76,134	42,124	42,864
Goodwill/intangible assets	202	114	107	107	107	107
Associates/investments	17,092	11,161	12,624	14,059	14,059	14,059
Other assets	20,505	20,126	16,254	17,869	25,437	26,501
Total assets	165,208	161,862	148,788	148,373	114,541	107,172
Interest bearing debt	93,204	96,395	86,943	87,886	55,128	55,128
Other liabilities	30,306	23,353	18,887	17,238	23,898	22,449
Total liabilities	123,510	119,748	105,830	105,124	79,026	77,576
Shareholders' equity	25,137	24,223	24,379	24,626	15,733	8,925
Minorities	16,561	17,891	18,579	18,622	19,782	20,670
Total shareholders' equity	41,698	42,114	42,958	43,249	35,515	29,596
Net debt	46,439	47,338	47,238	47,681	22,313	31,486

Key Company Metrics

Sales growth (%)	nm	-23.7	1.3	-15.7	23.0	11.7
DB EPS growth (%)	na	na	53.8	-31.7	na	23.5
EBITDA Margin (%)	-4.9	4.7	7.2	8.9	-5.8	-2.7
EBIT Margin (%)	-8.5	-0.8	1.5	2.1	-11.3	-7.8
Payout ratio (%)	nm	0.0	0.0	0.0	nm	nm
ROE (%)	-38.0	1.0	1.5	1.0	-44.1	-55.2
Capex/sales (%)	12.9	15.8	10.2	10.4	8.5	7.6
Capex/depreciation (x)	3.6	2.9	1.8	1.5	1.5	1.5
Net debt/equity (%)	111.4	112.4	110.0	110.2	62.8	106.4
Net interest cover (x)	nm	nm	0.5	0.5	nm	nm

Source: Company data, Deutsche Bank estimates

Sky Hong, CFA

+852 2203 6131

sky.hong@db.com



Model updated: 04 February 2016

Running the numbers

Asia
China
Marine

China Shipping Container

Reuters: 2866.HK Bloomberg: 2866.HK

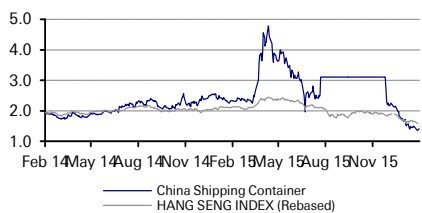
Hold

Price (15 Feb 16)	HKD 1.41
Target Price	HKD 1.50
52 Week range	HKD 1.36 - 4.79
Market Cap (m)	HKDm 16,473
	USDm 2,115

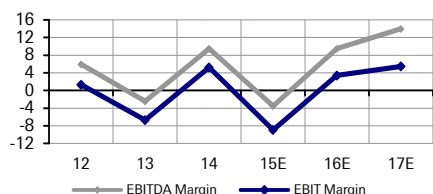
Company Profile

The company is the second largest container liner in China and ranks eighth in the world in terms of operating capacity. It operates in all the major international lanes and holds a dominant position in the domestic market.

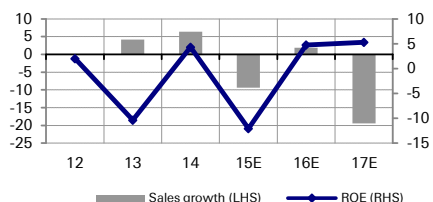
Price Performance



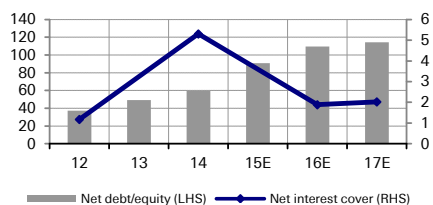
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Dec

Financial Summary

	2012	2013	2014	2015E	2016E	2017E
DB EPS (CNY)	0.04	-0.22	0.09	-0.24	0.09	0.11
Reported EPS (CNY)	0.04	-0.22	0.09	-0.24	0.09	0.11
DPS (CNY)	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (CNY)	2.3	2.0	2.1	1.9	2.0	2.1
Weighted average shares (m)	11,685	11,685	11,685	11,683	11,683	11,683
Average market cap (CNYm)	19,743	19,362	19,083	13,897	13,897	13,897
Enterprise value (CNYm)	29,941	31,298	33,863	33,889	39,271	41,764

Valuation Metrics

P/E (DB) (x)	37.6	nm	18.3	nm	13.0	11.1
P/E (Reported) (x)	37.6	nm	18.3	nm	13.0	11.1
P/BV (x)	0.80	0.79	0.92	0.63	0.60	0.57
FCF Yield (%)	7.1	nm	nm	nm	162.2	nm
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	0.9	0.9	0.9	1.0	1.2	1.6
EV/EBITDA (x)	15.5	nm	9.9	nm	12.5	11.2
EV/EBIT (x)	69.6	nm	17.9	nm	34.7	28.4

Income Statement (CNYm)

Sales revenue	32,551	33,917	36,077	32,694	33,306	26,838
Gross profit	1,257	-655	2,769	660	4,262	4,969
EBITDA	1,928	-836	3,420	-1,151	3,150	3,745
Depreciation	1,498	1,432	1,531	1,761	2,017	2,275
Amortisation	0	0	0	0	0	0
EBIT	430	-2,268	1,889	-2,912	1,133	1,470
Net interest income/(expense)	-366	-327	-356	-462	-601	-727
Associates/affiliates	90	47	84	85	758	758
Exceptionals/extraordinaries	0	0	0	0	0	0
Other pre-tax income/(expense)	0	0	0	0	0	0
Profit before tax	155	-2,548	1,617	-3,289	1,289	1,502
Income tax expense	-419	36	548	-493	193	225
Minorities	49	26	25	25	25	25
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	525	-2,610	1,044	-2,821	1,071	1,252
DB adjustments (including dilution)	0	0	0	0	0	0
DB Net profit	525	-2,610	1,044	-2,821	1,071	1,252

Cash Flow (CNYm)

Cash flow from operations	136	-1,144	2,713	8	24,933	661
Net Capex	1,274	-2,476	-5,783	-4,787	-2,394	-2,394
Free cash flow	1,411	-3,621	-3,070	-4,779	22,539	-1,732
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0
Net inc/(dec) in borrowings	811	4,499	3,439	4,267	8,867	7,476
Other investing/financing cash flows	-460	57	-614	-429	-27,925	-774
Net cash flow	1,761	935	-245	-941	3,481	4,970
Change in working capital	-669	-319	262	666	21,975	-2,860

Balance Sheet (CNYm)

Cash and other liquid assets	8,831	9,014	9,356	8,415	11,897	16,867
Tangible fixed assets	35,677	32,290	36,370	38,223	56,207	56,933
Goodwill/intangible assets	29	0	0	0	0	0
Associates/investments	1,716	424	3,807	3,807	15,807	15,807
Other assets	4,952	9,088	4,007	4,266	11,213	9,890
Total assets	51,205	50,817	53,540	54,711	95,124	99,497
Interest bearing debt	19,029	20,950	24,135	28,408	37,271	44,734
Other liabilities	4,702	5,649	4,529	4,248	34,726	30,385
Total liabilities	23,732	26,599	28,664	32,655	71,997	75,118
Shareholders' equity	26,529	23,771	24,791	21,971	23,042	24,294
Minorities	945	447	85	85	85	85
Total shareholders' equity	27,474	24,218	24,876	22,056	23,127	24,379
Net debt	10,198	11,936	14,779	19,992	25,374	27,867

Key Company Metrics

Sales growth (%)	nm	4.2	6.4	-9.4	1.9	-19.4
DB EPS growth (%)	na	na	na	na	na	16.9
EBITDA Margin (%)	5.9	-2.5	9.5	-3.5	9.5	14.0
EBIT Margin (%)	1.3	-6.7	5.2	-8.9	3.4	5.5
Payout ratio (%)	0.0	nm	0.0	nm	0.0	0.0
ROE (%)	2.0	-10.4	4.3	-12.1	4.8	5.3
Capex/sales (%)	6.5	7.8	16.4	14.6	7.2	8.9
Capex/depreciation (x)	1.4	1.8	3.9	2.7	1.2	1.1
Net debt/equity (%)	37.1	49.3	59.4	90.6	109.7	114.3
Net interest cover (x)	1.2	nm	5.3	nm	1.9	2.0

Source: Company data, Deutsche Bank estimates



Model updated:04 February 2016

Running the numbers

Asia
China
Marine

China Shipping Container

Reuters: 601866.SS Bloomberg: 601866 CH

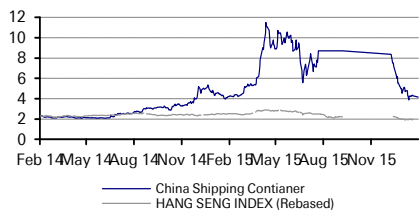
Sell

Price (15 Feb 16)	CNY 4.16
Target Price	CNY 1.23
52 Week range	CNY 3.87 - 11.50
Market Cap (m)	CNYm 48,602 USDm 7,398

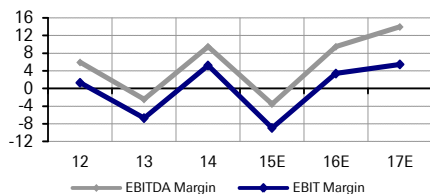
Company Profile

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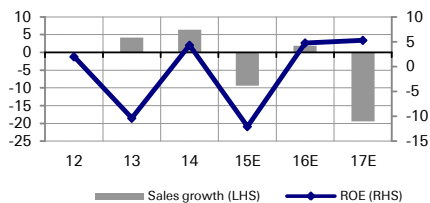
Price Performance



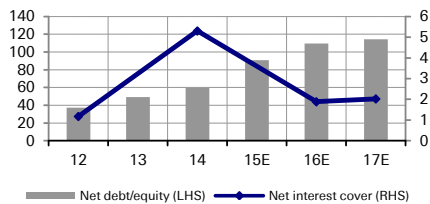
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Dec

Financial Summary

	2012	2013	2014	2015E	2016E	2017E
DB EPS (CNY)	0.04	-0.22	0.09	-0.24	0.09	0.11
Reported EPS (CNY)	0.04	-0.22	0.09	-0.24	0.09	0.11
DPS (CNY)	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (CNY)	2.3	2.0	2.1	1.9	2.0	2.1
Weighted average shares (m)	11,685	11,685	11,685	11,683	11,683	11,683
Average market cap (CNYm)	30,198	27,900	31,284	48,602	48,602	48,602
Enterprise value (CNYm)	40,396	39,835	46,063	68,594	73,976	76,468

Valuation Metrics

P/E (DB) (x)	57.5	nm	30.0	nm	45.4	38.8
P/E (Reported) (x)	57.5	nm	30.0	nm	45.4	38.8
P/BV (x)	1.07	1.21	2.33	2.21	2.11	2.00
FCF Yield (%)	4.7	nm	nm	nm	46.4	nm
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	1.2	1.2	1.3	2.1	2.2	2.8
EV/EBITDA (x)	21.0	nm	13.5	nm	23.5	20.4
EV/EBIT (x)	93.9	nm	24.4	nm	65.3	52.0

Income Statement (CNYm)

Sales revenue	32,551	33,917	36,077	32,694	33,306	26,838
Gross profit	1,257	-655	2,769	660	4,262	4,969
EBITDA	1,928	-836	3,420	-1,151	3,150	3,745
Depreciation	1,498	1,432	1,531	1,761	2,017	2,275
Amortisation	0	0	0	0	0	0
EBIT	430	-2,268	1,889	-2,912	1,133	1,470
Net interest income/(expense)	-366	-327	-356	-462	-601	-727
Associates/affiliates	90	47	84	85	758	758
Exceptionals/extraordinary	0	0	0	0	0	0
Other pre-tax income/(expense)	0	0	0	0	0	0
Profit before tax	155	-2,548	1,617	-3,289	1,289	1,502
Income tax expense	-419	36	548	-493	193	225
Minorities	49	26	25	25	25	25
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	525	-2,610	1,044	-2,821	1,071	1,252
DB adjustments (including dilution)	0	0	0	0	0	0
DB Net profit	525	-2,610	1,044	-2,821	1,071	1,252

Cash Flow (CNYm)

Cash flow from operations	136	-1,144	2,713	8	24,933	661
Net Capex	1,274	-2,476	-5,783	-4,787	-2,394	-2,394
Free cash flow	1,411	-3,621	-3,070	-4,779	22,539	-1,732
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0
Net inc/(dec) in borrowings	811	4,499	3,439	4,267	8,867	7,476
Other investing/financing cash flows	-460	57	-614	-429	-27,925	-774
Net cash flow	1,761	935	-245	-941	3,481	4,970
Change in working capital	-669	-319	262	666	21,975	-2,860

Balance Sheet (CNYm)

Cash and other liquid assets	8,831	9,014	9,356	8,415	11,897	16,867
Tangible fixed assets	35,677	32,290	36,370	38,223	56,207	56,933
Goodwill/intangible assets	29	0	0	0	0	0
Associates/investments	1,716	424	3,807	3,807	15,807	15,807
Other assets	4,952	9,088	4,007	4,266	11,213	9,890
Total assets	51,205	50,817	53,540	54,711	95,124	99,497
Interest bearing debt	19,029	20,950	24,135	28,408	37,271	44,734
Other liabilities	4,702	5,649	4,529	4,248	34,726	30,385
Total liabilities	23,732	26,599	28,664	32,655	71,997	75,118
Shareholders' equity	26,529	23,771	24,791	21,971	23,042	24,294
Minorities	945	447	85	85	85	85
Total shareholders' equity	27,474	24,218	24,876	22,056	23,127	24,379
Net debt	10,198	11,936	14,779	19,992	25,374	27,867

Key Company Metrics

Sales growth (%)	nm	4.2	6.4	-9.4	1.9	-19.4
DB EPS growth (%)	na	na	na	na	na	16.9
EBITDA Margin (%)	5.9	-2.5	9.5	-3.5	9.5	14.0
EBIT Margin (%)	1.3	-6.7	5.2	-8.9	3.4	5.5
Payout ratio (%)	0.0	nm	0.0	nm	0.0	0.0
ROE (%)	2.0	-10.4	4.3	-12.1	4.8	5.3
Capex/sales (%)	6.5	7.8	16.4	14.6	7.2	8.9
Capex/depreciation (x)	1.4	1.8	3.9	2.7	1.2	1.1
Net debt/equity (%)	37.1	49.3	59.4	90.6	109.7	114.3
Net interest cover (x)	1.2	nm	5.3	nm	1.9	2.0

Source: Company data, Deutsche Bank estimates



Model updated: 01 February 2016

Running the numbers

Asia
 Taiwan
 Marine

Evergreen Marine

Reuters: 2603.TW Bloomberg: 2603.TT

Hold

Price (15 Feb 16) TWD 11.70
 Target Price TWD 10.40
 52 Week range TWD 11.10 - 23.75
 Market Cap (m) TWDm 35,813
 USDm 1,075

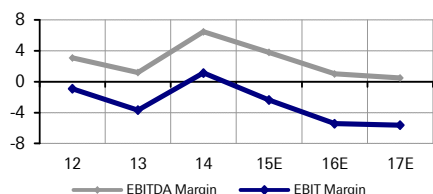
Company Profile

The company is one of the "big three" Taiwanese container liners. It primarily operates on long-haul routes including Transpacific and Asia-Europe. It also has interests in terminals, airlines, and container manufacturing.

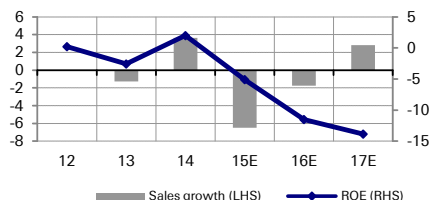
Price Performance



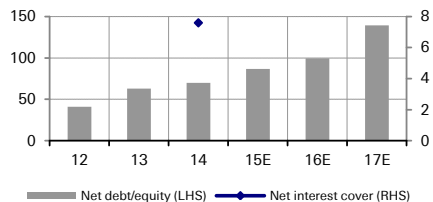
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Dec

Financial Summary

	2012	2013	2014	2015E	2016E	2017E
DB EPS (TWD)	-0.49	-1.70	0.01	-0.87	-1.81	-1.92
Reported EPS (TWD)	0.04	-0.43	0.34	-0.87	-1.81	-1.92
DPS (TWD)	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (TWD)	17.0	16.5	17.5	16.6	14.8	12.9
Weighted average shares (m)	3,475	3,475	3,475	3,478	3,478	3,478
Average market cap (TWDm)	59,035	60,787	61,916	35,813	35,813	35,813
Enterprise value (TWDm)	61,271	73,486	83,119	66,163	69,099	84,023

Valuation Metrics

	2012	2013	2014	2015E	2016E	2017E
P/E (DB) (x)	nm	nm	nm	nm	nm	nm
P/E (Reported) (x)	459.3	nm	52.6	nm	nm	nm
P/BV (x)	1.02	1.10	1.28	0.70	0.79	0.91
FCF Yield (%)	nm	nm	16.0	nm	nm	nm
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	0.4	0.5	0.6	0.5	0.5	0.6
EV/EBITDA (x)	14.1	44.1	8.9	12.9	51.7	124.6
EV/EBIT (x)	nm	nm	51.3	nm	nm	nm

Income Statement (TWDm)

Sales revenue	141,028	139,216	144,284	134,936	132,573	136,331
Gross profit	9,698	7,163	15,050	10,862	7,636	7,603
EBITDA	4,347	1,667	9,324	5,136	1,337	674
Depreciation	5,619	6,774	7,703	8,322	8,541	8,327
Amortisation	0	0	0	0	0	0
EBIT	-1,271	-5,108	1,621	-3,186	-7,204	-7,653
Net interest income/(expense)	-225	-163	-213	-206	-212	-225
Associates/affiliates	-497	-716	678	300	0	0
Exceptionals/extraordinary	1,838	4,397	1,155	0	0	0
Other pre-tax income/(expense)	0	0	0	0	0	0
Profit before tax	-155	-1,589	3,240	-3,092	-7,416	-7,878
Income tax expense	263	458	1,185	-773	-1,854	-1,970
Minorities	-547	-550	879	703	738	775
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	129	-1,497	1,176	-3,022	-6,301	-6,684
DB adjustments (including dilution)	-1,838	-4,397	-1,155	0	0	0
DB Net profit	-1,710	-5,894	21	-3,022	-6,301	-6,684

Cash Flow (TWDm)

Cash flow from operations	7,889	2,208	11,198	2,035	8,559	-3,416
Net Capex	-13,781	-3,688	-1,300	-10,000	-10,000	-10,000
Free cash flow	-5,891	-1,480	9,897	-7,965	-1,441	-13,416
Equity raised/(bought back)	15	0	26	0	0	0
Dividends paid	0	0	0	0	0	0
Net inc/(dec) in borrowings	4,199	18,414	6,703	-100	-100	4,900
Other investing/financing cash flows	10,656	-15,417	-17,302	-1,000	-1,000	-1,000
Net cash flow	8,978	1,518	-676	-9,065	-2,541	-9,516
Change in working capital	-512	5,636	2,562	-3,668	5,579	-5,835

Balance Sheet (TWDm)

Cash and other liquid assets	27,559	33,502	32,827	23,762	21,221	11,705
Tangible fixed assets	71,944	76,169	99,524	101,202	102,661	104,334
Goodwill/intangible assets	459	10	23	23	23	23
Associates/investments	28,021	28,221	28,119	28,640	28,883	29,151
Other assets	27,315	36,450	28,434	24,711	28,226	27,011
Total assets	155,298	174,352	188,926	178,338	181,014	172,223
Interest bearing debt	53,076	71,490	78,193	78,093	77,993	82,893
Other liabilities	39,793	42,693	45,869	37,699	46,037	38,255
Total liabilities	92,869	114,183	124,062	115,792	124,030	121,148
Shareholders' equity	59,097	57,242	60,909	57,887	51,586	44,902
Minorities	3,332	2,928	3,956	4,659	5,397	6,173
Total shareholders' equity	62,429	60,170	64,865	62,546	56,984	51,075
Net debt	25,517	37,988	45,366	54,331	56,772	71,188

Key Company Metrics

Sales growth (%)	nm	-1.3	3.6	-6.5	-1.8	2.8
DB EPS growth (%)	na	-244.7	na	na	-108.5	-6.1
EBITDA Margin (%)	3.1	1.2	6.5	3.8	1.0	0.5
EBIT Margin (%)	-0.9	-3.7	1.1	-2.4	-5.4	-5.6
Payout ratio (%)	0.0	nm	0.0	nm	nm	nm
ROE (%)	0.2	-2.6	2.0	-5.1	-11.5	-13.9
Capex/sales (%)	19.9	7.2	2.8	7.4	7.5	7.3
Capex/depreciation (x)	5.0	1.5	0.5	1.2	1.2	1.2
Net debt/equity (%)	40.9	63.1	69.9	86.9	99.6	139.4
Net interest cover (x)	nm	nm	7.6	nm	nm	nm

Source: Company data, Deutsche Bank estimates



Model updated: 01 February 2016

Running the numbers

Asia
 South Korea
 Marine

Hanjin Shipping

Reuters: 117930.KS Bloomberg: 117930 KS

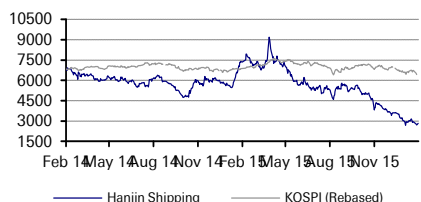
Sell

Price (15 Feb 16) KRW 2,840
 Target Price KRW 1,700
 52 Week range KRW 2,700 - 9,180
 Market Cap (bn) KRWm 208
 USDm 172

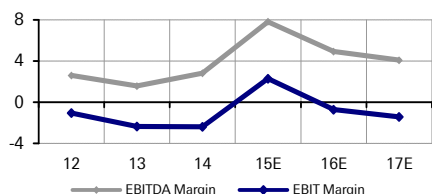
Company Profile

The company is the largest container liners in South Korea. It also provides bulk shipping service and is engaged in chartering and container terminal operations.

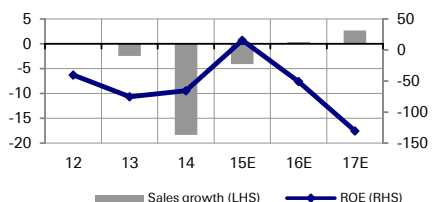
Price Performance



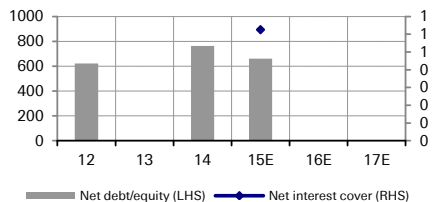
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Dec

2012 2013 2014 2015E 2016E 2017E

Financial Summary

DB EPS (KRW)	-3,812.86	-4,922.89	-3,009.66	-648.47	-1,763.46	-2,046.88
Reported EPS (KRW)	-5,203.61	-5,594.09	-2,402.96	632.73	-1,763.46	-2,046.88
DPS (KRW)	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (KRW)	9,923.5	5,045.6	2,963.0	4,357.6	2,594.1	547.2
Weighted average shares (m)	125	126	186	195	195	195
Average market cap (KRWbn)	1,749	1,112	1,132	208	208	208
Enterprise value (KRWbn)	9,641	8,899	6,799	5,876	5,938	6,117

Valuation Metrics

P/E (DB) (x)	nm	nm	nm	nm	nm	nm
P/E (Reported) (x)	nm	nm	nm	4.5	nm	nm
P/BV (x)	1.20	1.52	2.03	0.65	1.09	5.19
FCF Yield (%)	nm	59.3	69.1	2.7	nm	nm
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	0.9	0.9	0.8	0.7	0.7	0.7
EV/EBITDA (x)	35.0	54.7	28.6	9.3	14.8	18.0
EV/EBIT (x)	nm	nm	nm	31.7	nm	nm

Income Statement (KRWbn)

Sales revenue	10,589	10,332	8,438	8,094	8,124	8,338
Gross profit	752	628	599	931	713	669
EBITDA	276	163	238	634	400	340
Depreciation	386	405	438	448	458	458
Amortisation	0	0	0	0	0	0
EBIT	-110	-242	-200	185	-58	-118
Net interest income/(expense)	-334	-368	-344	-296	-295	-293
Associates/affiliates	0	0	0	0	0	0
Exceptionals/extraordinary	-174	-85	113	250	0	0
Other pre-tax income/(expense)	10	30	16	16	16	16
Profit before tax	-608	-666	-415	156	-337	-395
Income tax expense	30	14	8	8	-17	-20
Minorities	13	26	24	24	24	24
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	-650	-707	-448	123	-344	-399
DB adjustments (including dilution)	174	85	-113	-250	0	0
DB Net profit	-477	-622	-561	-127	-344	-399

Cash Flow (KRWbn)

Cash flow from operations	311	585	542	215	153	37
Net Capex	-571	74	240	-200	-200	-200
Free cash flow	-259	659	782	15	-47	-163
Equity raised/(bought back)	-62	0	400	0	0	0
Dividends paid	-2	-1	-44	0	0	0
Net inc/(dec) in borrowings	594	-322	-1,026	0	0	0
Other investing/financing cash flows	-396	-377	-83	0	0	0
Net cash flow	-126	-41	30	15	-47	-163
Change in working capital	-24	375	177	-365	31	-30

Balance Sheet (KRWbn)

Cash and other liquid assets	558	517	547	563	516	353
Tangible fixed assets	7,801	7,570	6,116	5,868	5,610	5,352
Goodwill/intangible assets	24	22	22	22	22	22
Associates/investments	393	379	454	472	490	509
Other assets	2,255	2,090	1,375	1,394	1,501	1,439
Total assets	11,031	10,579	8,515	8,319	8,139	7,675
Interest bearing debt	8,583	8,474	6,480	6,506	6,532	6,560
Other liabilities	1,157	1,428	1,258	912	1,050	958
Total liabilities	9,740	9,902	7,738	7,418	7,582	7,518
Shareholders' equity	1,240	637	727	850	506	107
Minorities	51	40	51	51	51	51
Total shareholders' equity	1,291	677	778	901	557	157
Net debt	8,025	7,957	5,933	5,943	6,017	6,207

Key Company Metrics

Sales growth (%)	nm	-2.4	-18.3	-4.1	0.4	2.6
DB EPS growth (%)	na	-29.1	38.9	78.5	-171.9	-16.1
EBITDA Margin (%)	2.6	1.6	2.8	7.8	4.9	4.1
EBIT Margin (%)	-1.0	-2.3	-2.4	2.3	-0.7	-1.4
Payout ratio (%)	nm	nm	nm	0.0	nm	nm
ROE (%)	-40.3	-75.3	-65.6	15.7	-50.7	-130.3
Capex/sales (%)	7.9	3.4	0.4	2.5	2.5	2.4
Capex/depreciation (x)	2.2	0.9	0.1	0.4	0.4	0.4
Net debt/equity (%)	621.5	nm	763.0	659.6	nm	nm
Net interest cover (x)	nm	nm	nm	0.6	nm	nm

Source: Company data, Deutsche Bank estimates

Sky Hong, CFA

+852 2203 6131

sky.hong@db.com



Model updated: 24 November 2015

Running the numbers

Asia
Singapore
Marine

Neptune Orient Lines

Reuters: NEPS.SI Bloomberg: NOL SP

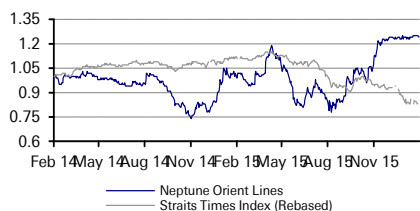
Sell

Price (15 Feb 16)	SGD 1.24
Target Price	SGD 0.95
52 Week range	SGD 0.78 - 1.25
Market Cap (m)	SGDm 3,218
	USDm 2,303

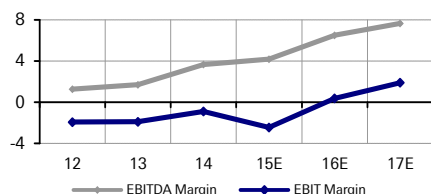
Company Profile

Neptune Orient Lines Limited, through its subsidiary APL, owns and operates container shipping vessels. It is the largest listed container shipping company in SE Asia with a head office in Singapore. Half of its revenues come from the Transpacific route.

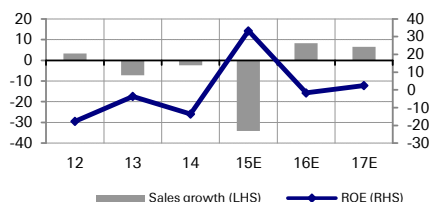
Price Performance



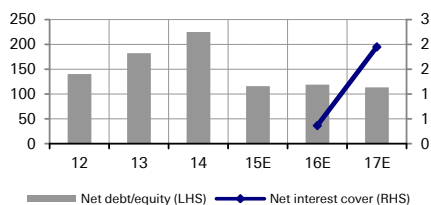
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Dec

Financial Summary

	2012	2013	2014	2015E	2016E	2017E
DB EPS (USD)	-0.12	-0.10	-0.09	-0.08	-0.02	0.02
Reported EPS (USD)	-0.16	-0.03	-0.10	0.27	-0.02	0.02
DPS (USD)	0.00	0.00	0.00	0.00	0.00	0.01
BVPS (USD)	0.8	0.8	0.7	0.9	0.9	1.0
Weighted average shares (m)	2,587	2,590	2,594	2,596	2,596	2,596
Average market cap (USDm)	2,474	2,321	1,935	2,303	2,303	2,303
Enterprise value (USDm)	2,416	2,226	5,898	4,954	4,929	4,791

Valuation Metrics

P/E (DB) (x)	nm	nm	nm	nm	nm	38.0
P/E (Reported) (x)	nm	nm	nm	3.3	nm	38.0
P/BV (x)	1.11	1.12	0.98	0.94	0.96	0.93
FCF Yield (%)	nm	nm	nm	50.2	nm	3.8
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.7
EV/Sales (x)	0.3	0.3	0.7	0.9	0.8	0.7
EV/EBITDA (x)	19.9	14.8	18.6	20.8	12.3	9.6
EV/EBIT (x)	nm	nm	nm	nm	207.6	38.3

Income Statement (USDm)

Sales revenue	9,512	8,831	8,617	5,681	6,154	6,554
Gross profit	121	150	317	238	400	502
EBITDA	121	150	317	238	400	502
Depreciation	304	317	393	376	376	376
Amortisation	0	0	0	0	0	0
EBIT	-183	-167	-76	-139	24	125
Net interest income/(expense)	-47	-51	-126	-56	-65	-64
Associates/affiliates	9	8	12	8	8	8
Exceptionals/extraordinary	-104	187	-16	893	0	0
Other pre-tax income/(expense)	-27	7	-11	0	0	0
Profit before tax	-351	-16	-217	706	-33	69
Income tax expense	56	56	35	0	0	0
Minorities	6	4	8	8	8	8
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	-412	-76	-260	698	-41	61
DB adjustments (including dilution)	104	-187	16	-893	0	0
DB Net profit	-308	-263	-244	-195	-41	61

Cash Flow (USDm)

Cash flow from operations	-12	32	69	106	279	389
Net Capex	-970	-1,221	-308	1,050	-300	-300
Free cash flow	-983	-1,189	-239	1,156	-21	89
Equity raised/(bought back)	1	0	0	0	0	0
Dividends paid	0	0	0	0	0	0
Net inc/(dec) in borrowings	1,588	966	499	-1,000	0	0
Other investing/financing cash flows	63	307	-15	-9	-9	-9
Net cash flow	669	84	245	147	-30	79
Change in working capital	-60	-3	-88	46	-4	7

Balance Sheet (USDm)

Cash and other liquid assets	897	981	1,226	1,372	1,338	1,405
Tangible fixed assets	5,229	6,098	6,012	5,536	5,460	5,383
Goodwill/intangible assets	193	190	189	139	139	139
Associates/investments	112	149	161	334	401	480
Other assets	1,789	1,612	1,511	949	1,009	1,055
Total assets	8,220	9,029	9,100	8,330	8,347	8,463
Interest bearing debt	3,976	4,866	5,291	4,291	4,291	4,291
Other liabilities	2,051	2,032	2,000	1,525	1,574	1,622
Total liabilities	6,027	6,898	7,292	5,816	5,866	5,914
Shareholders' equity	2,139	2,077	1,750	2,448	2,407	2,468
Minorities	54	54	58	66	74	83
Total shareholders' equity	2,193	2,131	1,808	2,514	2,481	2,550
Net debt	3,079	3,885	4,066	2,919	2,953	2,886

Key Company Metrics

Sales growth (%)	3.3	-7.2	-2.4	-34.1	8.3	6.5
DB EPS growth (%)	32.3	14.8	7.5	20.1	78.9	na
EBITDA Margin (%)	1.3	1.7	3.7	4.2	6.5	7.7
EBIT Margin (%)	-1.9	-1.9	-0.9	-2.4	0.4	1.9
Payout ratio (%)	nm	nm	nm	0.0	nm	25.0
ROE (%)	-17.7	-3.6	-13.6	33.3	-1.7	2.5
Capex/sales (%)	10.5	14.8	4.1	2.6	4.9	4.6
Capex/depreciation (x)	3.3	4.1	0.9	0.4	0.8	0.8
Net debt/equity (%)	140.4	182.3	224.9	116.1	119.0	113.2
Net interest cover (x)	nm	nm	nm	nm	0.4	1.9

Source: Company data, Deutsche Bank estimates



Model updated: 02 February 2016

Running the numbers

Asia
 Hong Kong
 Marine

Orient Overseas Int'l

Reuters: 0316.HK Bloomberg: 316 HK

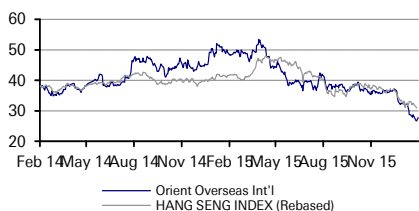
Buy

Price (15 Feb 16) HKD 27.75
 Target Price HKD 49.50
 52 Week range HKD 26.80 - 53.45
 Market Cap (m) HKDm 17,366
 USDm 2,230

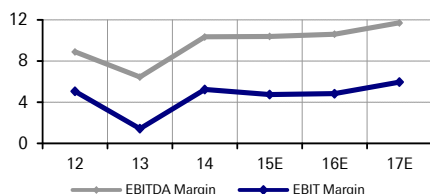
Company Profile

Orient Overseas (International) Ltd has principal business activities in container transport, logistics services and property and investment. Based in Hong Kong, we consider it one of the best managed container shipping companies in the world. It is not a large player but has managed to generate better shareholder returns than most peers over the cycle.

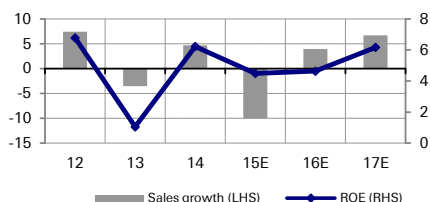
Price Performance



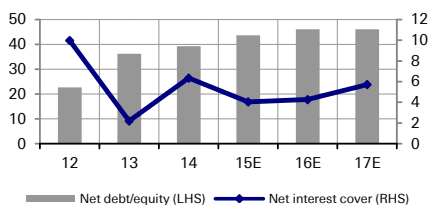
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Dec

Financial Summary

	2012	2013	2014	2015E	2016E	2017E
DB EPS (USD)	0.47	0.08	0.45	0.34	0.36	0.50
Reported EPS (USD)	0.47	0.08	0.45	0.34	0.36	0.50
DPS (USD)	0.12	0.02	0.03	0.08	0.09	0.13
BVPS (USD)	7.2	7.1	7.4	7.7	7.9	8.3
Weighted average shares (m)	626	626	626	626	626	626
Average market cap (USDm)	3,764	3,792	3,284	2,230	2,230	2,230
Enterprise value (USDm)	4,459	5,052	4,718	3,920	4,091	4,179

Valuation Metrics

P/E (DB) (x)	12.7	80.6	11.6	10.5	9.9	7.1
P/E (Reported) (x)	12.7	80.6	11.6	10.5	9.9	7.1
P/BV (x)	0.90	0.70	0.79	0.47	0.45	0.43
FCF Yield (%)	nm	nm	9.0	nm	nm	nm
Dividend Yield (%)	2.0	0.3	0.6	2.4	2.5	3.5
EV/Sales (x)	0.7	0.8	0.7	0.7	0.7	0.6
EV/EBITDA (x)	7.8	12.6	7.0	6.4	6.3	5.5
EV/EBIT (x)	13.6	55.9	13.8	14.0	13.9	10.7

Income Statement (USDm)

Sales revenue	6,459	6,232	6,522	5,867	6,101	6,510
Gross profit	899	771	978	934	979	1,101
EBITDA	575	402	675	610	648	762
Depreciation	235	303	323	331	353	373
Amortisation	11	9	9	0	0	0
EBIT	328	90	342	279	295	389
Net interest income/(expense)	-33	-41	-54	-69	-69	-68
Associates/affiliates	15	18	19	19	19	19
Exceptionals/extraordinary	0	0	0	0	0	0
Other pre-tax income/(expense)	0	0	0	0	0	0
Profit before tax	310	67	308	230	245	340
Income tax expense	14	20	24	18	19	27
Minorities	1	0	0	0	0	0
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	295	47	284	212	226	314
DB adjustments (including dilution)	0	0	0	0	0	0
DB Net profit	295	47	284	212	226	314

Cash Flow (USDm)

Cash flow from operations	408	413	479	450	538	644
Net Capex	-653	-535	-183	-700	-700	-700
Free cash flow	-246	-122	296	-250	-162	-56
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	-30	-45	-59	-53	-57	-78
Net inc/(dec) in borrowings	627	895	686	-25	9	-50
Other investing/financing cash flows	-664	-602	-704	-27	3	4
Net cash flow	-312	125	220	-356	-207	-180
Change in working capital	-4	115	7	-27	9	7

Balance Sheet (USDm)

Cash and other liquid assets	1,862	1,912	2,166	1,810	1,603	1,422
Tangible fixed assets	4,665	5,320	5,609	5,978	6,325	6,652
Goodwill/intangible assets	39	43	49	49	49	49
Associates/investments	663	732	850	886	905	924
Other assets	1,003	983	960	891	919	964
Total assets	8,231	8,990	9,633	9,613	9,801	10,011
Interest bearing debt	2,882	3,534	3,985	3,904	3,888	3,815
Other liabilities	862	980	1,014	916	950	999
Total liabilities	3,743	4,514	4,999	4,820	4,838	4,814
Shareholders' equity	4,482	4,471	4,635	4,793	4,963	5,198
Minorities	6	6	0	0	0	0
Total shareholders' equity	4,488	4,477	4,635	4,794	4,963	5,198
Net debt	1,020	1,622	1,819	2,094	2,285	2,392

Key Company Metrics

Sales growth (%)	7.4	-3.5	4.7	-10.0	4.0	6.7
DB EPS growth (%)	113.1	-84.1	502.9	-25.4	6.8	38.7
EBITDA Margin (%)	8.9	6.5	10.3	10.4	10.6	11.7
EBIT Margin (%)	5.1	1.4	5.2	4.8	4.8	6.0
Payout ratio (%)	25.1	25.0	7.5	25.0	25.0	25.0
ROE (%)	6.8	1.1	6.2	4.5	4.6	6.2
Capex/sales (%)	11.3	9.0	5.5	11.9	11.5	10.8
Capex/depreciation (x)	2.9	1.8	1.1	2.1	2.0	1.9
Net debt/equity (%)	22.7	36.2	39.2	43.7	46.0	46.0
Net interest cover (x)	10.0	2.2	6.3	4.0	4.3	5.7

Source: Company data, Deutsche Bank estimates



Model updated: 01 February 2016

Running the numbers

Asia
 Taiwan
 Marine

Yang Ming Marine

Reuters: 2609.TW Bloomberg: 2609.TT

Sell

Price (15 Feb 16) TWD 7.97
 Target Price TWD 4.00
 52 Week range TWD 7.52 - 19.05
 Market Cap (m) TWDm 18,560
 USDm 557

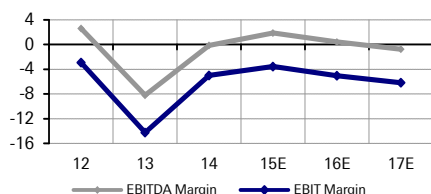
Company Profile

The company is one of the "big three" Taiwanese container liners. It primarily operates on long-haul routes, including Asia-Europe and Transpacific, which generate more than 80% of its total line revenue.

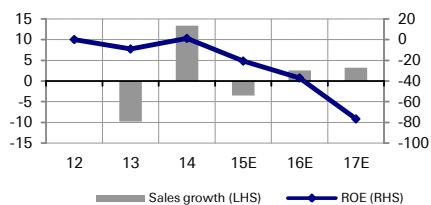
Price Performance



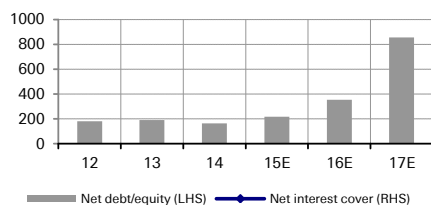
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Dec

Financial Summary

	2012	2013	2014	2015E	2016E	2017E
DB EPS (TWD)	-0.72	-4.47	-2.87	-2.20	-2.98	-3.64
Reported EPS (TWD)	0.02	-0.90	0.13	-2.20	-2.98	-3.64
DPS (TWD)	0.00	0.00	0.00	0.00	0.00	0.00
BVPS (TWD)	11.7	11.6	10.3	9.6	6.6	2.9
Weighted average shares (m)	2,819	2,819	3,047	3,066	2,856	2,856
Average market cap (TWDm)	37,295	37,495	39,967	18,560	18,560	18,560
Enterprise value (TWDm)	103,031	91,421	87,020	70,540	78,901	89,319

Valuation Metrics

	2012	2013	2014	2015E	2016E	2017E
P/E (DB) (x)	nm	nm	nm	nm	nm	nm
P/E (Reported) (x)	785.7	nm	104.5	nm	nm	nm
P/BV (x)	1.19	1.20	1.64	0.83	1.21	2.71
FCF Yield (%)	nm	nm	18.1	nm	nm	nm
Dividend Yield (%)	0.0	0.0	0.0	0.0	0.0	0.0
EV/Sales (x)	0.8	0.8	0.6	0.5	0.6	0.6
EV/EBITDA (x)	29.8	nm	nm	28.8	140.3	nm
EV/EBIT (x)	nm	nm	nm	nm	nm	nm

Income Statement (TWDm)

	2012	2013	2014	2015E	2016E	2017E
Sales revenue	131,724	118,874	134,778	130,031	133,314	137,578
Gross profit	8,864	-4,130	5,745	8,352	6,585	5,139
EBITDA	3,455	-9,733	-159	2,447	563	-1,003
Depreciation	7,272	7,165	6,557	7,057	7,257	7,457
Amortisation	0	0	0	0	0	0
EBIT	-3,817	-16,899	-6,716	-4,610	-6,695	-8,461
Net interest income/(expense)	-1,637	-1,752	-1,619	-1,571	-1,672	-1,759
Associates/affiliates	0	0	0	0	0	0
Exceptionals/extraordinaries	2,261	11,693	9,824	0	0	0
Other pre-tax income/(expense)	3,121	3,943	-467	0	0	0
Profit before tax	-73	-3,014	1,022	-6,181	-8,367	-10,220
Income tax expense	-138	-104	495	0	0	0
Minorities	14	36	116	116	157	192
Other post-tax income/(expense)	0	0	0	0	0	0
Net profit	51	-2,946	411	-6,297	-8,524	-10,411
DB adjustments (including dilution)	-2,261	-11,693	-9,824	0	0	0
DB Net profit	-2,209	-14,639	-9,413	-6,297	-8,524	-10,411

Cash Flow (TWDm)

	2012	2013	2014	2015E	2016E	2017E
Cash flow from operations	1,835	-536	5,781	4,057	623	-1,348
Net Capex	-16,680	-1,262	1,442	-7,413	-7,313	-7,313
Free cash flow	-14,844	-1,798	7,223	-3,356	-6,689	-8,660
Equity raised/(bought back)	0	0	0	0	0	0
Dividends paid	0	0	0	0	0	0
Net inc/(dec) in borrowings	10,017	-2,279	3,604	0	5,000	5,000
Other investing/financing cash flows	4,664	6,765	-2,776	-1,571	-1,672	-1,759
Net cash flow	-164	2,688	8,052	-4,927	-3,361	-5,419
Change in working capital	-6,126	1,612	3,894	1,610	60	-345

Balance Sheet (TWDm)

	2012	2013	2014	2015E	2016E	2017E
Cash and other liquid assets	11,087	10,944	21,684	16,757	13,396	7,977
Tangible fixed assets	88,375	89,727	86,095	86,450	86,505	86,360
Goodwill/intangible assets	9,800	47	40	40	40	40
Associates/investments	6,184	12,756	12,573	12,573	12,573	12,573
Other assets	23,766	28,780	28,200	25,513	26,839	26,147
Total assets	139,213	142,254	148,591	141,333	139,353	133,098
Interest bearing debt	77,121	74,842	78,446	78,446	83,446	88,446
Other liabilities	25,395	33,839	35,504	34,555	36,099	35,255
Total liabilities	102,516	108,681	113,950	113,001	119,545	123,701
Shareholders' equity	32,914	32,676	33,646	27,337	18,813	8,402
Minorities	3,784	897	995	995	995	995
Total shareholders' equity	36,697	33,573	34,641	28,332	19,808	9,397
Net debt	66,034	63,898	56,762	61,689	70,050	80,469

Key Company Metrics

	2012	2013	2014	2015E	2016E	2017E
Sales growth (%)	nm	-9.8	13.4	-3.5	2.5	3.2
DB EPS growth (%)	na	-517.8	35.7	23.3	-35.4	-22.1
EBITDA Margin (%)	2.6	-8.2	-0.1	1.9	0.4	-0.7
EBIT Margin (%)	-2.9	-14.2	-5.0	-3.5	-5.0	-6.1
Payout ratio (%)	0.0	nm	0.0	nm	nm	nm
ROE (%)	0.2	-9.0	1.2	-20.7	-36.9	-76.5
Capex/sales (%)	13.8	8.2	7.0	5.7	5.5	5.3
Capex/depreciation (x)	2.5	1.4	1.4	1.1	1.0	1.0
Net debt/equity (%)	179.9	190.3	163.9	217.7	353.6	856.3
Net interest cover (x)	nm	nm	nm	nm	nm	nm

Source: Company data, Deutsche Bank estimates



Model updated: 15 February 2016

Running the numbers

Japan

Japan

Transportation

Kawasaki Kisen

Reuters: 9107.T

Bloomberg: 9107.JT

Sell

Price (15 Feb 16)

JPY 182

Target Price

JPY 130

52 Week range

JPY 169 - 364

Market Cap (bn)

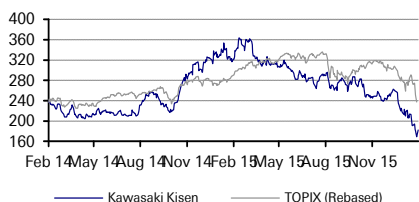
JPYbn 171

USDm 1,516

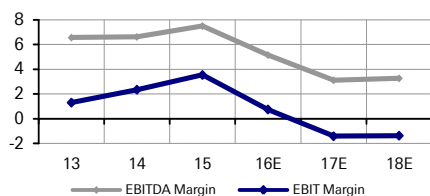
Company Profile

Kawasaki Kisen Kaisha (K-Line) is the third largest shipping company in Japan. With container shipping being its core business, the company also offers integrated marine transportation services including car carrier, dry bulk shipping, and energy transportation businesses. As of March 2013, it operates a fleet of 566 ships with 252 bulk ships, 75 container ships and 95 PCTCs.

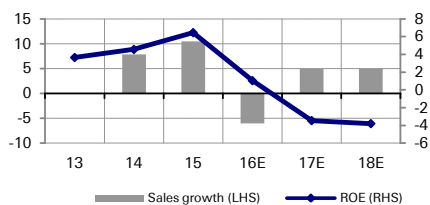
Price Performance



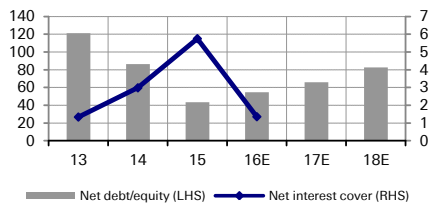
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Mar

Financial Summary

	2013	2014	2015	2016E	2017E	2018E
DB EPS (JPY)	16.90	12.19	28.20	4.94	-15.85	-16.73
Reported EPS (JPY)	12.06	17.75	28.57	4.94	-15.85	-16.73
DPS (JPY)	2.50	4.50	5.00	0.99	0.00	0.00
BVPS (JPY)	362.5	414.7	470.3	468.8	450.4	432.1
Weighted average shares (m)	884	938	939	939	939	939
Average market cap (JPYbn)	121	211	248	171	171	171
Enterprise value (JPYbn)	423	447	332	305	344	402

Valuation Metrics

P/E (DB) (x)	8.1	18.5	9.4	36.8	nm	nm
P/E (Reported) (x)	11.4	12.7	9.2	36.8	nm	nm
P/BV (x)	0.55	0.54	0.69	0.39	0.40	0.42
FCF Yield (%)	20.3	40.2	33.5	nm	nm	nm
Dividend Yield (%)	1.8	2.0	1.9	0.5	0.0	0.0
EV/Sales (x)	0.4	0.4	0.2	0.2	0.3	0.3
EV/EBITDA (x)	5.7	5.5	3.3	4.7	8.3	8.8
EV/EBIT (x)	28.4	15.5	6.9	31.7	nm	nm

Income Statement (JPYbn)

Sales revenue	1,134.8	1,224.1	1,352.4	1,271.3	1,334.8	1,401.6
Gross profit	155.2	153.1	178.4	153.9	143.3	162.7
EBITDA	74.6	81.1	101.5	65.6	41.7	45.9
Depreciation	59.7	52.2	53.5	55.9	60.4	64.9
Amortisation	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	14.9	28.9	48.0	9.6	-18.8	-19.1
Net interest income/(expense)	-11.1	-9.7	-8.3	-7.1	-7.6	-8.5
Associates/affiliates	2.4	2.8	2.2	2.2	2.2	2.2
Exceptionals/extraordinaries	4.3	-5.2	-0.3	0.0	0.0	0.0
Other pre-tax income/(expense)	22.4	10.5	7.1	2.2	2.2	2.2
Profit before tax	32.9	27.2	48.6	6.9	-22.0	-23.3
Income tax expense	19.5	8.6	20.6	2.1	-6.6	-7.0
Minorities	2.7	2.0	1.2	0.2	-0.5	-0.6
Other post-tax income/(expense)	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	10.7	16.6	26.8	4.6	-14.9	-15.7
DB adjustments (including dilution)	4.3	-5.2	-0.3	0.0	0.0	0.0
DB Net profit	14.9	11.4	26.5	4.6	-14.9	-15.7

Cash Flow (JPYbn)

Cash flow from operations	59.8	88.2	101.8	46.5	53.3	33.3
Net Capex	-35.2	-3.4	-18.9	-90.0	-90.0	-90.0
Free cash flow	24.5	84.8	82.9	-43.5	-36.7	-56.7
Equity raised/(bought back)	20.9	0.0	0.0	0.0	0.0	0.0
Dividends paid	-0.7	-3.5	-8.0	-6.1	-2.4	-1.4
Net inc/(dec) in borrowings	6.2	-73.1	-115.1	30.0	30.0	60.0
Other investing/financing cash flows	15.4	55.3	11.6	-2.2	-2.2	-2.2
Net cash flow	66.3	63.5	-28.6	-21.9	-11.3	-0.3
Change in working capital	8.2	12.3	25.5	-14.3	8.3	-15.4

Balance Sheet (JPYbn)

Cash and other liquid assets	162.1	186.4	242.4	220.6	209.3	209.0
Tangible fixed assets	663.1	661.2	632.5	666.6	696.1	721.2
Goodwill/intangible assets	5.9	5.4	4.6	4.6	4.6	4.6
Associates/investments	157.2	190.5	144.0	146.2	148.4	150.5
Other assets	192.1	211.2	199.8	199.1	223.5	217.6
Total assets	1,180.4	1,254.7	1,223.3	1,237.0	1,281.9	1,302.8
Interest bearing debt	600.0	541.4	445.2	475.2	505.2	565.2
Other liabilities	218.4	302.7	310.7	295.6	328.3	307.0
Total liabilities	818.5	844.1	755.9	770.9	833.6	872.3
Shareholders' equity	340.6	388.8	441.5	440.0	422.8	405.6
Minorities	21.4	21.9	25.9	26.1	25.5	25.0
Total shareholders' equity	362.0	410.7	467.4	466.1	448.3	430.6
Net debt	437.9	355.0	202.8	254.7	295.9	356.2

Key Company Metrics

Sales growth (%)	nm	7.9	10.5	-6.0	5.0	5.0
DB EPS growth (%)	na	-27.9	131.3	-82.5	na	-5.5
EBITDA Margin (%)	6.6	6.6	7.5	5.2	3.1	3.3
EBIT Margin (%)	1.3	2.4	3.5	0.8	-1.4	-1.4
Payout ratio (%)	20.7	25.4	17.5	20.0	nm	nm
ROE (%)	3.7	4.6	6.5	1.1	-3.4	-3.8
Capex/sales (%)	11.7	7.5	6.5	7.1	6.7	6.4
Capex/depreciation (x)	2.2	1.8	1.6	1.6	1.5	1.4
Net debt/equity (%)	121.0	86.4	43.4	54.6	66.0	82.7
Net interest cover (x)	1.3	3.0	5.8	1.4	nm	nm

Source: Company data, Deutsche Bank estimates

Sky Hong, CFA

+852 2203 6131

sky.hong@db.com



Model updated: 15 February 2016

Running the numbers

Japan

Japan

Transportation

Mitsui O.S.K. Lines

Reuters: 9104.T

Bloomberg: 9104.JT

Sell

Price (15 Feb 16) JPY 203

Target Price JPY 150

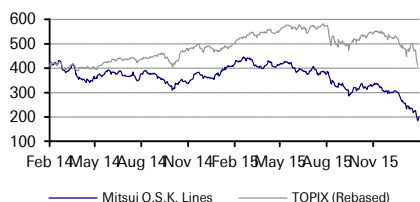
52 Week range JPY 184 - 446

Market Cap (bn) JPYbn 245
 USDm 2,173

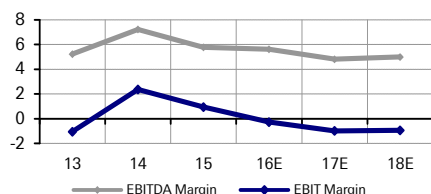
Company Profile

Mitsui O.S.K. Lines(MOL) is the largest shipping company in Japan with approximately 800 fleets in operation (as of end FY06). With dry bulk shipping services being its centerpiece of the business, the company offers integrated marine transportation services including resources and energy transportation services, containership services and car carrier businesses.

Price Performance



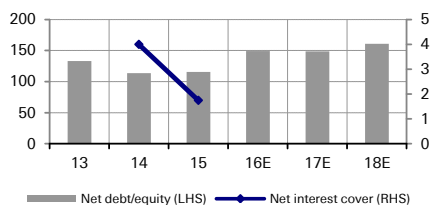
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Mar

Financial Summary

	2013	2014	2015	2016E	2017E	2018E
DB EPS (JPY)	-57.59	33.71	29.31	15.44	8.14	7.70
Reported EPS (JPY)	-148.26	47.58	35.11	-147.02	13.94	13.51
DPS (JPY)	0.00	6.00	7.00	0.00	2.09	15.53
BVPS (JPY)	445.6	565.0	650.8	500.5	509.1	503.8
Weighted average shares (m)	1,206	1,206	1,206	1,206	1,206	1,206
Average market cap (JPYbn)	306	496	454	245	245	245
Enterprise value (JPYbn)	989	1,212	1,242	1,063	1,075	1,154

Valuation Metrics

P/E (DB) (x)	nm	12.2	12.8	13.1	24.9	26.4
P/E (Reported) (x)	nm	8.6	10.7	nm	14.6	15.0
P/BV (x)	0.69	0.71	0.63	0.41	0.40	0.40
FCF Yield (%)	nm	nm	16,329.8	nm	1.6	nm
Dividend Yield (%)	0.0	1.5	1.9	0.0	1.0	7.7
EV/Sales (x)	0.7	0.7	0.7	0.6	0.6	0.6
EV/EBITDA (x)	12.5	9.7	11.8	10.9	12.5	12.5
EV/EBIT (x)	nm	29.5	72.0	nm	nm	nm

Income Statement (JPYbn)

Sales revenue	1,509.2	1,729.5	1,817.1	1,726.2	1,783.3	1,842.3
Gross profit	171.9	225.5	221.1	218.9	213.8	226.4
EBITDA	78.9	125.1	105.1	97.1	85.9	92.1
Depreciation	94.7	84.0	87.8	101.7	103.2	109.2
Amortisation	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	-15.8	41.1	17.3	-4.6	-17.3	-17.2
Net interest income/(expense)	-11.3	-10.3	-9.9	-11.1	-11.4	-12.0
Associates/affiliates	-4.9	-1.2	4.9	9.4	9.4	9.4
Exceptionals/extraordinaries	-109.4	16.7	7.0	-196.0	7.0	7.0
Other pre-tax income/(expense)	3.5	25.4	39.0	39.3	38.8	38.8
Profit before tax	-137.9	71.7	58.3	-163.0	26.5	26.0
Income tax expense	36.1	9.3	9.9	9.9	4.5	4.4
Minorities	4.8	5.0	6.1	4.5	5.2	5.3
Other post-tax income/(expense)	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	-178.8	57.4	42.4	-177.4	16.8	16.3
DB adjustments (including dilution)	109.4	-16.7	-7.0	196.0	-7.0	-7.0
DB Net profit	-69.5	40.7	35.4	18.6	9.8	9.3

Cash Flow (JPYbn)

Cash flow from operations	79.0	94.3	92.5	132.8	154.0	104.2
Net Capex	-85.3	-105.6	73,997.7	-150.0	-150.0	-150.0
Free cash flow	-6.4	-11.4	74,090.2	-17.2	4.0	-45.8
Equity raised/(bought back)	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	-6.0	-3.7	-11.1	-4.0	-6.5	-22.7
Net inc/(dec) in borrowings	153.3	-1.4	14.1	55,000.0	55,000.0	55,000.0
Other investing/financing cash flows	-23.1	-5.7	-35,509.0	-16,716.1	-17,419.9	-18,123.8
Net cash flow	117.8	-22.1	38,584.2	38,262.8	37,577.6	36,807.8
Change in working capital	-10.6	-0.7	2.1	-24.2	25.2	-30.5

Balance Sheet (JPYbn)

Cash and other liquid assets	200.6	180.1	128.8	145.9	181.0	149.4
Tangible fixed assets	1,304.0	1,379.2	1,498.0	1,546.3	1,593.2	1,633.9
Goodwill/intangible assets	22.9	29.4	37.1	37.1	37.1	37.1
Associates/investments	224.9	276.7	348.6	361.5	374.3	387.1
Other assets	412.1	499.3	611.5	572.6	620.0	591.7
Total assets	2,164.6	2,364.7	2,624.1	2,663.4	2,805.5	2,799.2
Interest bearing debt	1,026.3	1,070.7	1,158.4	1,213.4	1,268.4	1,323.4
Other liabilities	518.8	510.4	573.2	734.4	806.0	745.9
Total liabilities	1,545.1	1,581.1	1,731.6	1,947.8	2,074.4	2,069.3
Shareholders' equity	537.5	681.6	785.1	603.8	614.1	607.7
Minorities	82.0	102.0	107.3	111.8	117.0	122.2
Total shareholders' equity	619.5	783.5	892.4	715.6	731.1	730.0
Net debt	825.6	890.6	1,029.6	1,067.5	1,087.4	1,174.0

Key Company Metrics

Sales growth (%)	nm	14.6	5.1	-5.0	3.3	3.3
DB EPS growth (%)	na	na	-13.1	-47.3	-47.3	-5.3
EBITDA Margin (%)	5.2	7.2	5.8	5.6	4.8	5.0
EBIT Margin (%)	-1.0	2.4	0.9	-0.3	-1.0	-0.9
Payout ratio (%)	nm	12.6	19.9	nm	15.0	115.0
ROE (%)	-30.4	9.4	5.8	-25.5	2.8	2.7
Capex/sales (%)	11.0	10.6	10.3	8.7	8.4	8.1
Capex/depreciation (x)	1.7	2.2	2.1	1.5	1.5	1.4
Net debt/equity (%)	133.3	113.7	115.4	149.2	148.7	160.8
Net interest cover (x)	nm	4.0	1.8	nm	nm	nm

Source: Company data, Deutsche Bank estimates



Model updated: 15 February 2016

Running the numbers

Japan

Japan

Transportation

Nippon Yusen

Reuters: 9101.T

Bloomberg: 9101.JT

Hold

Price (15 Feb 16) JPY 208

Target Price JPY 190

52 Week range JPY 192 - 386

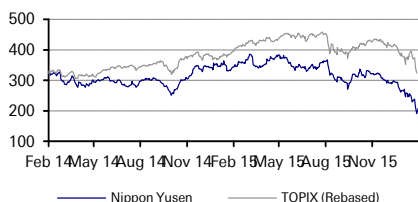
Market Cap (bn) JPYbn 354

USDm 3,138

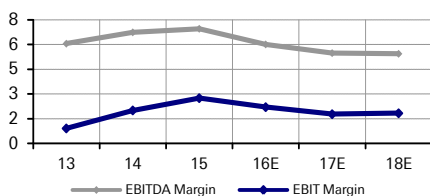
Company Profile

Nippon Yusen Kabushiki Kaisha (NYK) is one of the leading transportation companies in Japan. Its main business consists of container shipping, bulk shipping (including dry bulk, wet bulk, and car carriers), and logistics. It also operates terminal business and conducts air cargo transportation. The company is the biggest car carrier in the world, in terms of operating capacity.

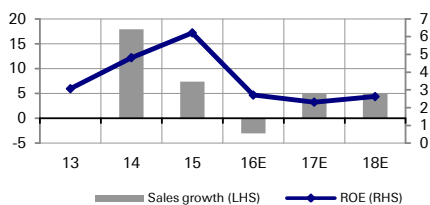
Price Performance



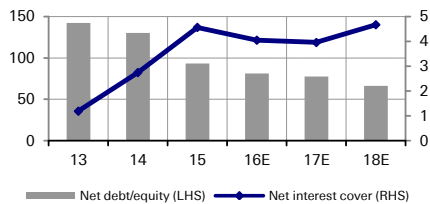
Margin Trends



Growth & Profitability



Solvency



Fiscal year end 31-Mar

Financial Summary

	2013	2014	2015	2016E	2017E	2018E
DB EPS (JPY)	19.90	16.35	29.31	13.04	11.23	12.88
Reported EPS (JPY)	11.14	19.48	28.04	13.04	11.23	12.88
DPS (JPY)	2.00	5.00	7.00	6.00	6.00	6.00
BVPS (JPY)	382.8	423.6	476.5	482.2	486.0	491.6
Weighted average shares (m)	1,701	1,701	1,701	1,701	1,701	1,701
Average market cap (JPYbn)	325	501	532	354	354	354
Enterprise value (JPYbn)	1,103	1,272	1,077	815	807	727

Valuation Metrics

P/E (DB) (x)	9.6	18.0	10.7	16.0	18.5	16.1
P/E (Reported) (x)	17.2	15.1	11.1	16.0	18.5	16.1
P/BV (x)	0.63	0.71	0.73	0.43	0.43	0.42
FCF Yield (%)	nm	29.7	24.8	29.7	8.6	29.2
Dividend Yield (%)	1.0	1.7	2.2	2.9	2.9	2.9
EV/Sales (x)	0.6	0.6	0.4	0.3	0.3	0.3
EV/EBITDA (x)	9.6	8.4	6.4	5.8	6.0	5.2
EV/EBIT (x)	63.3	28.3	16.3	15.8	18.5	15.4

Income Statement (JPYbn)

Sales revenue	1,897.1	2,237.2	2,401.8	2,329.8	2,446.3	2,568.6
Gross profit	290.0	352.2	375.7	359.0	364.1	381.2
EBITDA	115.0	151.0	167.2	140.1	134.3	139.9
Depreciation	97.5	106.0	101.0	88.7	90.7	92.7
Amortisation	0.0	0.0	0.0	0.0	0.0	0.0
EBIT	17.4	45.0	66.2	51.5	43.6	47.2
Net interest income/(expense)	-14.6	-16.4	-14.5	-12.7	-11.0	-10.1
Associates/affiliates	1.7	15.3	12.7	13.9	15.3	16.8
Exceptionals/extraordinaries	14.9	-5.3	2.1	0.0	0.0	0.0
Other pre-tax income/(expense)	13.2	14.5	19.7	10.4	9.9	10.4
Profit before tax	32.6	53.1	86.2	63.1	57.8	64.4
Income tax expense	10.9	15.8	33.9	31.6	28.9	32.2
Minorities	2.8	4.3	4.7	9.4	9.8	10.3
Other post-tax income/(expense)	0.0	0.0	0.0	0.0	0.0	0.0
Net profit	18.9	33.0	47.6	22.1	19.1	21.9
DB adjustments (including dilution)	14.9	-5.3	2.1	0.0	0.0	0.0
DB Net profit	33.8	27.7	49.7	22.1	19.1	21.9

Cash Flow (JPYbn)

Cash flow from operations	94.0	136.5	136.4	155.2	80.5	153.3
Net Capex	-148.6	12.6	-4.7	-50.0	-50.0	-50.0
Free cash flow	-54.6	149.1	131.8	105.2	30.5	103.3
Equity raised/(bought back)	0.0	0.0	0.0	0.0	0.0	0.0
Dividends paid	-7.8	-8.3	-10.7	-12.5	-12.5	-12.5
Net inc/(dec) in borrowings	187.3	-84.6	-184.5	-90.0	-90.0	-90.0
Other investing/financing cash flows	22.2	4.1	40.5	0.0	0.0	0.0
Net cash flow	147.2	60.3	-22.9	2.8	-72.0	0.9
Change in working capital	113.2	161.8	159.5	194.0	115.9	191.1

Balance Sheet (JPYbn)

Cash and other liquid assets	298.4	218.4	260.9	263.7	191.6	192.5
Tangible fixed assets	1,286.4	1,228.6	1,190.5	1,151.8	1,111.1	1,068.5
Goodwill/intangible assets	39.0	41.9	48.8	48.8	48.8	48.8
Associates/investments	263.2	427.3	422.1	422.1	422.1	422.1
Other assets	543.3	635.1	647.6	610.6	675.5	643.7
Total assets	2,430.4	2,551.2	2,569.8	2,496.9	2,449.1	2,375.6
Interest bearing debt	1,292.2	1,226.5	1,083.8	993.8	903.8	813.8
Other liabilities	439.5	550.8	605.1	603.1	628.9	625.6
Total liabilities	1,731.7	1,777.3	1,688.9	1,596.9	1,532.7	1,439.5
Shareholders' equity	651.1	720.3	810.3	820.0	826.5	835.9
Minorities	47.6	53.6	70.6	80.0	89.8	100.2
Total shareholders' equity	698.7	773.9	880.9	899.9	916.4	936.1
Net debt	993.8	1,008.1	822.9	730.2	712.2	621.3

Key Company Metrics

Sales growth (%)	nm	17.9	7.4	-3.0	5.0	5.0
DB EPS growth (%)	na	-17.8	79.2	-55.5	-13.9	14.7
EBITDA Margin (%)	6.1	6.7	7.0	6.0	5.5	5.4
EBIT Margin (%)	0.9	2.0	2.8	2.2	1.8	1.8
Payout ratio (%)	18.0	25.7	25.0	46.1	53.6	46.7
ROE (%)	3.1	4.8	6.2	2.7	2.3	2.6
Capex/sales (%)	16.2	10.5	7.9	8.6	8.2	7.8
Capex/depreciation (x)	3.1	2.2	1.9	2.3	2.2	2.2
Net debt/equity (%)	142.2	130.3	93.4	81.1	77.7	66.4
Net interest cover (x)	1.2	2.7	4.6	4.0	4.0	4.7

Source: Company data, Deutsche Bank estimates

Sky Hong, CFA

+852 2203 6131

sky.hong@db.com



Appendix 1

Important Disclosures

Additional information available upon request

Disclosure checklist

Company	Ticker	Recent price*	Disclosure
Neptune Orient Lines	NEPS.SI	1.24 (SGD) 15 Feb 16	1,7
Orient Overseas Int'l	0316.HK	27.65 (HKD) 15 Feb 16	1,7,14,15
China Cosco Hldgs	601919.SS	5.33 (CNY) 15 Feb 16	1,7,14,15
China Shipping Contianer	601866.SS	4.16 (CNY) 15 Feb 16	1,7

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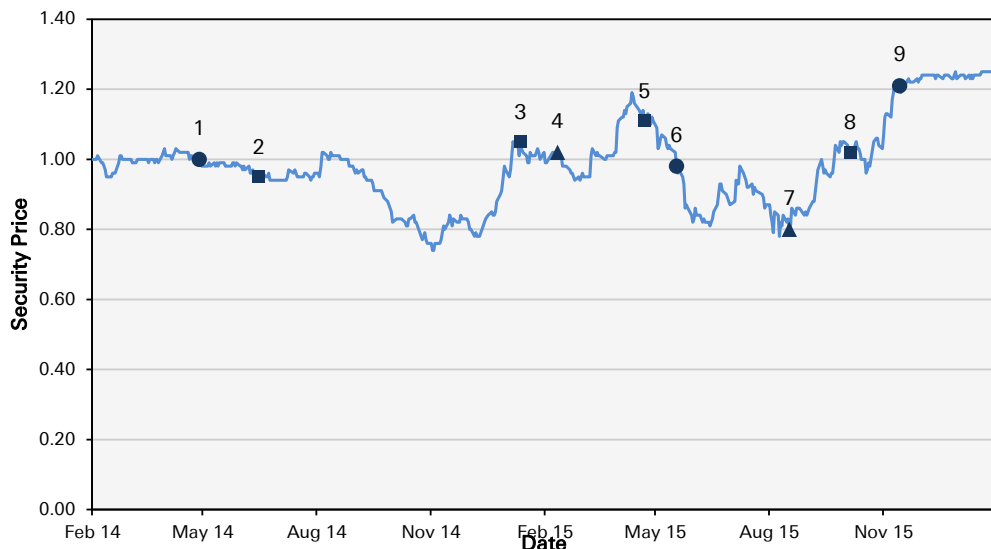
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Historical recommendations and target price: Neptune Orient Lines (NEPS.SI)

(as of 2/15/2016)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

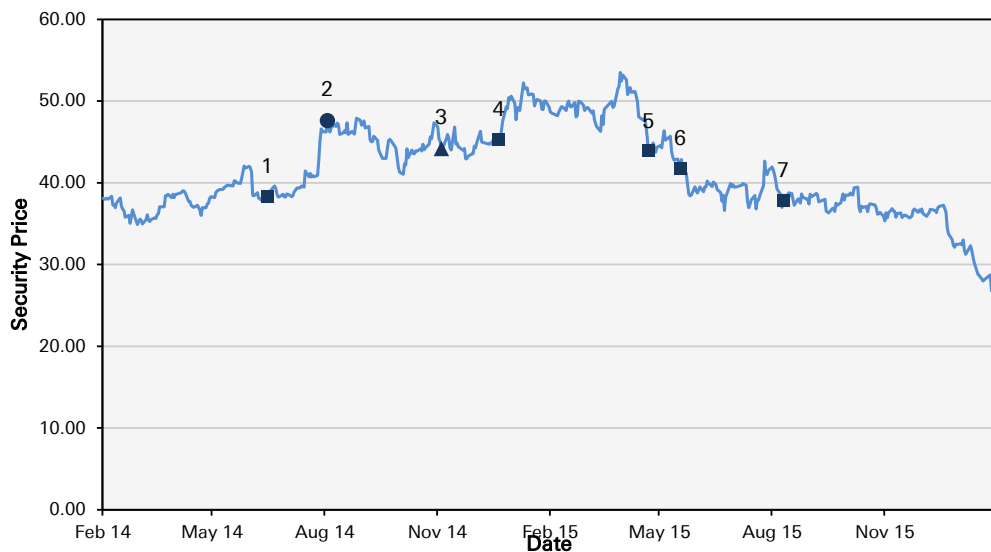
- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

*New Recommendation Structure as of September 9,2002

1.	14/05/2014:	Downgrade to Sell, Target Price Change SGD0.81	6.	03/06/2015:	Downgrade to Hold, Target Price Change SGD1.10
2.	01/07/2014:	Sell, Target Price Change SGD0.69	7.	02/09/2015:	Upgrade to Buy, SGD1.10
3.	28/01/2015:	Sell, Target Price Change SGD0.91	8.	21/10/2015:	Buy, Target Price Change SGD1.16
4.	27/02/2015:	Upgrade to Buy, Target Price Change SGD1.20	9.	30/11/2015:	Downgrade to Sell, Target Price Change SGD0.95
5.	08/05/2015:	Buy, Target Price Change SGD1.36			

Historical recommendations and target price: Orient Overseas Int'l (0316.HK)

(as of 2/15/2016)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

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1.	01/07/2014:	Buy, Target Price Change HKD48.50	5.	08/05/2015:	Buy, Target Price Change HKD62.60
2.	19/08/2014:	Downgrade to Hold, Target Price Change HKD51.60	6.	03/06/2015:	Buy, Target Price Change HKD61.00
3.	20/11/2014:	Upgrade to Buy, Target Price Change HKD53.00	7.	26/08/2015:	Buy, Target Price Change HKD62.00
4.	06/01/2015:	Buy, Target Price Change HKD63.60			



Historical recommendations and target price: China Cosco Hldgs (601919.SS)

(as of 2/15/2016)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

*New Recommendation Structure as of September 9,2002

- | | | | |
|----------------|--|----------------|-----------------------------------|
| 1. 03/06/2015: | Upgrade to Sell, Target Price Change CNY2.70 | 2. 14/07/2015: | Sell, Target Price Change CNY3.30 |
|----------------|--|----------------|-----------------------------------|

Historical recommendations and target price: China Shipping Contianer (601866.SS)

(as of 2/15/2016)



Previous Recommendations

- Strong Buy
- Buy
- Market Perform
- Underperform
- Not Rated
- Suspended Rating

Current Recommendations

- Buy
- Hold
- Sell
- Not Rated
- Suspended Rating

*New Recommendation Structure as of September 9,2002

- | | |
|----------------|--|
| 1. 03/06/2015: | Upgrade to Sell, Target Price Change CNY2.08 |
|----------------|--|



Equity rating key

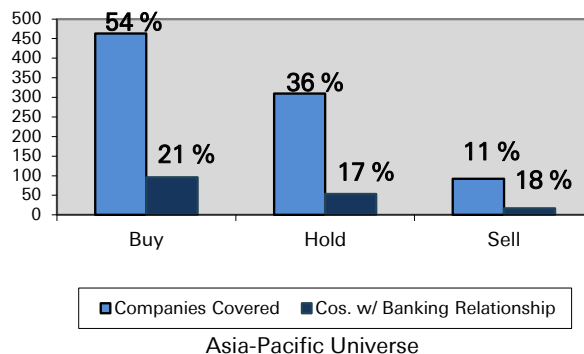
Buy: Based on a current 12-month view of total share-holder return (TSR = percentage change in share price from current price to projected target price plus projected dividend yield), we recommend that investors buy the stock.

Sell: Based on a current 12-month view of total share-holder return, we recommend that investors sell the stock

Hold: We take a neutral view on the stock 12-months out and, based on this time horizon, do not recommend either a Buy or Sell.

Newly issued research recommendations and target prices supersede previously published research.

Equity rating dispersion and banking relationships



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David Folkerts-Landau

Chief Economist and Global Head of Research

Raj Hindocha
Global Chief Operating Officer
Research

Marcel Cassard
Global Head
FICC Research & Global Macro Economics

Steve Pollard
Global Head
Equity Research

Michael Spencer
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Asia Pacific Research

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Andreas Neubauer
Regional Head
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International locations

Deutsche Bank AG

Deutsche Bank Place
Level 16
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Sydney, NSW 2000
Australia
Tel: (61) 2 8258 1234

Deutsche Bank AG

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Tel: (49) 69 910 00

Deutsche Bank AG

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Tel: (852) 2203 8888

Deutsche Securities Inc.

2-11-1 Nagatacho
Sanno Park Tower
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Japan
Tel: (81) 3 5156 6770

Deutsche Bank AG London

1 Great Winchester Street
London EC2N 2EQ
United Kingdom
Tel: (44) 20 7545 8000

Deutsche Bank Securities Inc.

60 Wall Street
New York, NY 10005
United States of America
Tel: (1) 212 250 2500
