CamEd Business School

Authors

1. **Liv Seyhakreach**
   Senior Student
   Bachelor of Accounting and Finance

2. **Mean Chanpenhboramey**
   Senior Student
   Bachelor of Accounting and Finance

3. **Mao Soasda**
   Senior Student
   Bachelor of Accounting and Finance

4. **Leng Sreyleak**
   Senior Student
   Bachelor of Accounting and Finance

5. **Heng Lamkheang**
   Senior Student
   Bachelor of Accounting and Finance

Advisor

Muhammad M. Ma'aji
Professor of Finance
CamEd Business School

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hosted by

Cambodia Community of Investment Professional

Team D

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ROYAL GROUP PHNOM PENH SEZ

TIME TO EXIT!

TICKER: PPSP
INDUSTRY: REAL ESTATE MANAGEMENT & DEVELOPMENT
STOCK EXCHANGE: CSX

JANUARY 18, 2023
CURRENT PRICE: KHR 2,400
DOWNSIDE: 26%

TARGET PRICE: KHR 1,783
RECOMMENDATION: SELL

COMPANY SNAPSHOT

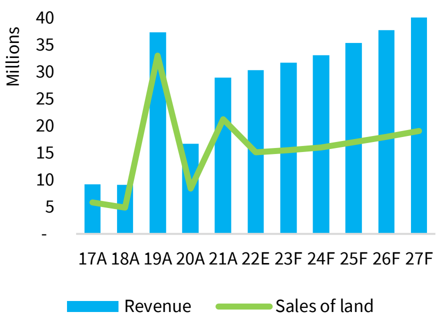
Market Cap	USD 39.1M
Shares Outstanding	7.19M
52W High/Low	KHR 2,500/KHR 2,040
P/E (2021)	21.5x
EPS (2021)	USD 0.03
Exchange rate	KHR 4,116/USD (NBC)

PPSP's Share Price Performance

1 year period from 01 Jan 22 to 01 Jan 23

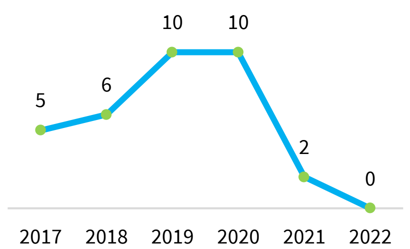
Source: CSX, Team Analysis

Figure 1: Land Sales Contribution to Revenue



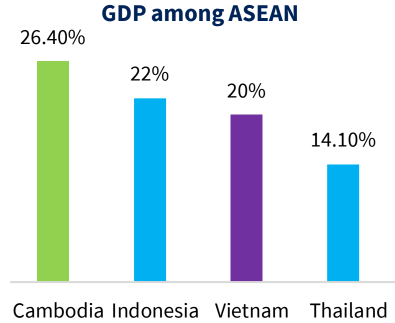
Source: Company Data, Team Analysis

Figure 2: Number of New Zone Investors



Source: Company Data, Team Analysis

Figure 3: High Logistic Costs as % of GDP among ASEAN



Source: World Bank, Team Analysis

PPSP is the second-largest developer of multi-product SEZs in Cambodia that started operating in 2008 and has more than 80 foreign firms as tenants. The SEZ's land area is over 357 ha. The primary objective of PPSP is to develop industrial land for sale or lease and to offer amenities and services inside the SEZ.

INVESTMENT SUMMARY

We initiate a **SELL** recommendation on PPSP based on a one-year target price of KHR 1,783 representing a 26% downside risk from the closing price of KHR 2,400 as of January 18, 2023. Our valuation methodology uses the DCF model in determining the intrinsic value of PPSP based on FCFE. This recommendation is supported by relative valuation, where PPSP is currently trading above its peers based on P/E multiple and dividend yield. The three main rudiments in support of our downside risk are: 1. Volatile growth due to unsustainable business model, 2. Expansion will not deliver immediate results, and 3. Supply-chain bottlenecks might hold back investors.

VOLATILE GROWTH DUE TO UNSUSTAINABLE BUSINESS MODEL

Over the previous five years, land sales have accounted for more than 50% of PPSP's revenue, which is a non-recurring revenue source **(Figure 1)**. Due to this revenue stream's dominance, their revenue and profitability margin has experienced high levels of uncertainty. Recently, their financial condition has gotten worse because of declining profit margin, with EBITDA, operating, and net profit margin all falling below the company's five-year average of 27.4%, 17.4%, and 8.7%, respectively. Additionally, limitations imposed by just offering land sales limit the company's capacity to accept new zone investors, placing pressure on its potential for future growth. However, PPSP recently showed a dedication to transforming its revenue stream into more recurring through the built-to-suit (BTS) business model. Although this shows that they are conscious of their unsustainable business model, purchasing land close to Phnom Penh may be out of their price range, which is 50% more than in other provinces, and increasing their cost of sales.

EXPANSION WILL NOT DELIVER IMMEDIATE RESULTS

Facing the high occupancy rate, PPSP has seen a decrease in their zone investors in FY21 and no new zone investors started operation in FY22 **(Figure 2)** as they fail to accommodate the need for land capital, hence, the company's effort to expand their territory. However, we believe that the plan might not produce immediate results due to the long lead time needed to fully develop the 100ha expansion, which might take around five years, costing around USD55-75M for it to be commercially viable. As such, investors should not expect a quick turnaround anytime soon, hampering the company's short-term ability to deliver a satisfactory result.

SUPPLY-CHAIN BOTTLENECKS MIGHT HOLD BACK INVESTORS

According to the IMF, World Bank, and ADB, several macro issues such as the supply chain bottleneck, consistently high global inflation rate of 6.52%, and energy price volatility brought on by the Russia-Ukraine war may cause one-third of the global economy to enter a recession in FY23. These elements will accelerate the supply chain disruption, driving the logistic costs of trade throughout the whole sectors, especially the electrical and electronics, and automobile part sector which accounts for 23% of the overall number of PPSP's zone investors. In addition, Cambodia's logistics costs are already the highest as a proportion of GDP among ASEAN members **(Figure 3)**. Given these global supply chain constraints, therefore, these drive-up costs will affect the zone investors operating costs, hurting their profit margin. Last but not least, according to CDC, SEZ registered investment value fell by a staggering 39% YoY in FY22 as a result of weakening investor confidence. Due to this uncertainty, PPSP's zone investors may be hesitant, which would hurt the company's short-term return.

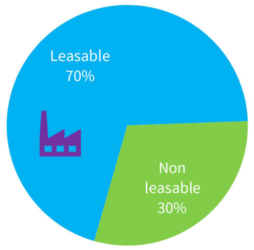
Figure 4: Key Financial Figures

	2019A	2020A	2021A	2022E	2023F	2024F	2025F	2026F	2027F
Revenue growth	312.4%	-55.3%	73.3%	5.0%	4.4%	4.4%	6.8%	6.8%	6.9%
Earnings per share (USD)	0.21	0.01	0.03	0.04	0.03	0.04	0.04	0.05	0.05
Return on Equity (ROE)	32.6%	4.1%	7.1%	7.1%	6.5%	8.6%	8.9%	9.1%	9.4%
Return on Invested Capital (ROIC)	23.3%	2.0%	3.4%	4.3%	3.8%	5.0%	5.0%	5.0%	5.1%
EBITDA Margin	48.8%	25.0%	21.6%	21.8%	20.8%	25.5%	25.9%	26.1%	25.8%

Source: Company Data, Team Analysis

BUSINESS DESCRIPTION

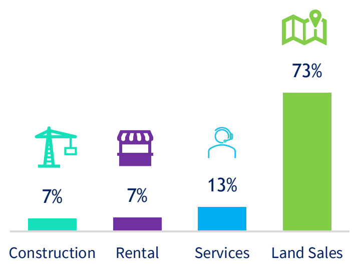
Figure 5: Allocation of Land



Source: Company Data, Team Analysis

Situated in the capital city of Cambodia, with a land area of over 357ha in size with more than 70% of it being a leasable (**Figure 5**) and with more than 80 international companies from 15 different nations, housing 102 tenants that employ over 40,000 workers, Royal Group Phnom Penh SEZ (PPSP) is the second largest developer of a multi-product SEZ in Cambodia that commenced operation in 2008 and were listed on the Cambodia Securities Exchange (CSX) in May 2016. PPSP's main purpose is to develop industrial land for sale/lease and provides services and facilities within the SEZ **(Appendix B-1)**. The SEZ's zone investors are entitled to incentives, such as exemptions from customs tax, income tax, and other taxes (up to 9 years of 0% tax holiday), and direct access to dry ports, relevant maintenance service, facilities, and infrastructure within the zone. These have made PPSP a favorable destination for light industry from international companies in Southeast Asia. In Q3 FY22, PPSP exported USD 593M worth of merchandise, a sizeable 29% YoY increase and USD 850M exported YTD.

Figure 6: Revenue Breakdown in FY21



Source: Company Data, Team Analysis

PPSP'S SERVICES AND REVENUE STREAM

As a developer of multi-product SEZ, PPSP's revenue generation is closely connected to the growth of the industrial sector in Cambodia since it facilitates the settlement of a wide range of factories manufacturing different types of products for local consumption and exports overseas. In FY21, PPSP's revenue was USD 28.9M, a 74% YoY increase compared to FY20, representing its recovery after being heavily impacted by COVID-19. PPSP's revenue derives from four main sources: 73% from land sales/long-term leases, 13% from services and facilities offered within the SEZ, and 7% from rental income and construction activities **(Figure 6)**. The services rendered by PPSP include the provision of clean water with a daily capacity of 14,900m^3, the temporary generation of electricity from a 13MW independent power plant during a power outage, the treatment of wastewater with a daily capacity of 4,500m^3, other maintenance, and one-stop advisory services. Primarily, these services are rendered through PPSP's subsidiaries and associated companies that support SEZ's ecosystem and operation **(Appendix B-3)**.

Figure 7: Major International Brands

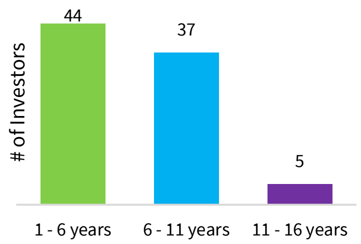
Source: Company Data, Team Analysis

BUSINESS STRATEGY & FUTURE PLANS

COMPLIMENTARY & VALUE-ADDED SERVICES: Taking the diverse needs of its tenants into account, PPSP has been able to generate recurring revenue from value-added services provided by its subsidiaries and associates. From FY18-FY21, rental income and services rendered at the SEZ contributed 22% of PPSP's total revenue. Although it represents a proportion with steady growth, it showed a significant rise in an amount from USD 3.90M to USD 4.40M during FY19-FY20, despite facing COVID-19.

EXPANSION: To accommodate the overwhelming increasing demands of zone investors and maintain its lead as the second largest SEZ in Cambodia, PPSP seeks to expand its capacity in the near term by an additional 100ha which is under development in Kandal province and would be linked to the current PPSP's location. PPSP is also in the process of installing its major infrastructure and facilities in the Royal Group Poipet SEZ under two phases **(Appendix B-2)** to be ready for future investors. The Royal Group Poipet SEZ with a total land size of 68.4ha, was developed in Banteay Meanchey province, aiming to benefit from being the significant linkage between Ho Chi Minh, Cambodia, and Bangkok via access to Asian Highway 1.

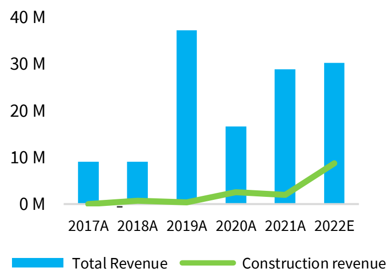
Figure 8: Length of Zone Investor Relationship



Source: Company Data, Team Analysis

STICKY, LONG-STANDING RELATIONSHIPS: Owing to the fact that PPSP strives to maintain long-standing relationships with its zone investors both domestic and international from various industries **(Figure 7 & Figure 8)**, we believe these healthy relationships will support sustainable growth for PPSP's domestic and international investors given the generally high switching costs for clients' formulations. We also expect PPSP's client relationships to provide a track record for companies looking forward to expanding their presence in local supply chains and assisting the government in achieving the prioritized sectors, such as automotive, electronics, and agro-processing industries.

Figure 9: Steady Growth in Construction Revenue



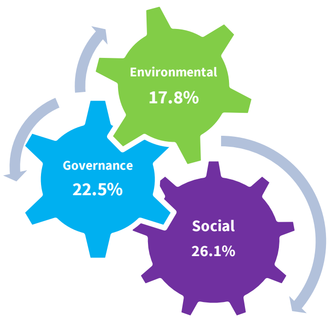
Source: Company Data, Team Analysis

DIVERSIFICATION OF REVENUE STREAM THROUGH CONSTRUCTION ACTIVITIES: Due to the indefinite land needs to ensure recurring revenue generation, PPSP is being doubted for its unsustainable business model. Thus, in line with pursuing the quality of being a product leader in this industry, PPSP has driven its customer intimacy by offering a lot of facilities and services through its subsidiaries as a way to diversify its sources of revenue as well. Besides the services provided in the zone, another revenue stream contributing to the significant growth of PPSP's annual revenue is the construction work. As the service is not only offered to customers inside but also outside the zones, this source of revenue has outstandingly grown from 8% to more than 20% over the past 5 years **(Figure 9)**. Therefore, we anticipate that the revenue from construction services will reach USD 12.3M in FY27 at a 7% CAGR.

ENVIRONMENTAL, SOCIAL, AND GOVERNANCE

Using the Refinitiv ESG score methodology and based on the team's on-site observation, PPSP scored an overall score of 66.4%, which was arrived at after assessing three factors: environmental factors, social factors, and governance factors. The lack of company disclosure related to ESG was what resulted in a low score on some factors, especially social and environmental factors.

Figure 10: ESG Scorecard

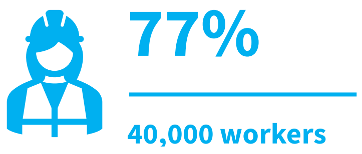


Source: Company Data, Team Analysis

ENVIRONMENTAL

PPSP has obtained ISO 14001 on Environmental Management System (EMS), which gives them a systematic approach to measuring and improving their environmental impact in FY16. PPSP also owns its wastewater treatment facility to remove harmful substances before being discharged back to the nearby water source, rainwater collection infrastructures, and groundwater pumping station. Moreover, PPSP has installed two new solar power systems as a pilot project with Cleantech Solar Corp and showed interest in the deployment of solar energy in the zone operation. However, PPSP is having no plans for any cooperation to reduce the effect of greenhouse gases and still currently uses heavy fuel oil generators for their power plant to generate backup electricity, which could cause air pollution to the surrounding environment. Additionally, PPSP lacks sufficient disclosure of its environmental activities. This resulted in a total score of 1.8 on the environmental score **(Figure 10)**.

Figure 11: Percentage of Female in PPSP in 2022



Source: Company Data, Team Analysis

SOCIAL

PPSP's board carefully pays attention to employee training and investment in social projects to help enhance the living standards of the local community. In FY20, a 2.2km gravel road was partially financed by PPSP in Khan Kombol to ease people daily's travel. As of FY22, PPSP supported roughly 600 flood victim families from different provinces by providing humanitarian aid such as donating rice and other foods. Additionally, from year to year, the business aims to raise social awareness in local communities about planting trees and concern about the environment through planting mulberry trees. Aside from this initiative, PPSP's staffs also volunteer for blood donations to Kantha Bopha hospital every year. PPSP demonstrated a strong commitment to employees' training and development, and to being an equal-opportunity employer **(Figure 11)**. From FY19-22, PPSP provided free physical health checkups as well as occupational safety, and health training from the occupational medical team to all factory workers inside the zone. As a result, PPSP received a total score of the social factor of 2.6.

Figure 12: Board Committee Structure

Source: Company Data, Team Analysis

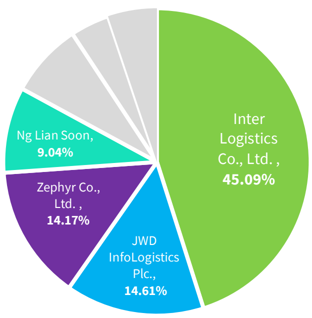
GOVERNANCE

PPSP is compliant with the principles of good corporate governance. For instance, all committees **(Figure 12)** are designed in compliance with law and regulation to serve various policies with regard to anti-corruption/fraud practices, non-violation of intellectual property rights, and respect for all associated laws and human rights. Based on CFA Corporate Governance Framework, the Governance pillar of PPSP is rated at 3.1/4.0 **(Appendix C-2)**. The substantial shareholder, Royal Group mentioned that they would like to bring their expertise in leading a diversified business conglomerate to steer PPSP to be more successful through introducing new technology systems, management, business strategies, and zone investors and win future possible synergy collaboration between the PPSP's management team and other related businesses. Overall, considering all these factors, the governance score arrived at 2.3.

BOARD OF DIRECTORS: PPSP's board of directors is composed of seven members **(Appendix C-3)** and 86% of the board is non-executive and independent directors. The board is diverse in terms of country, but there is only one female director. There is no duality in the PPSP board, where the Chairman of the board and CEO are different persons. However, only a few of the board members are having relevant industry experience.

REMUNERATION & COMPENSATION: The remuneration of policies of PPSP is not disclosed in detail. The quarterly pay ranged from USD 12.5K to more than USD 37.5K, with the majority of directors paid in Bands B, C, and D. The total compensation paid to directors, and senior officers in FY21 was USD 519K, and USD 591K respectively (a 3.6% YoY increase from FY20). On average, each PPSP's director is paid USD 73.7K p. a, which is a 31% premium compared to its competitors.

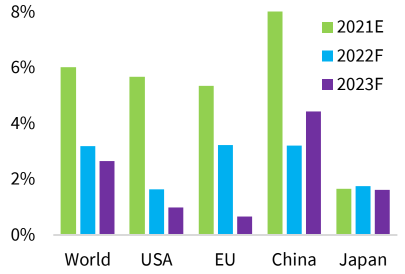
Figure 13: Shareholder Structure



Source: Company Data, Team Analysis

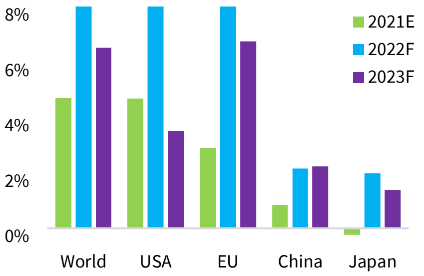
SHAREHOLDER STRUCTURE: As of December, FY21, PPSP has 71.8M ordinary shares outstanding and there are no preference shares or different voting rights shares. The key shareholders of PPSP are Inter Logistics Ltd (45%), JWD InfoLogistics Plc (15%), Zephyr Ltd (14%), and Ng Lian Soon (9%) **(Figure 13)**. The board of directors and senior officers owned 0.39% and 0.06% of the shares respectively. With a free float of 16%, the stock might be illiquid in the secondary market, which make it less attractive for institutional investors.

Figure 14: Global Slowdown Expected in FY23



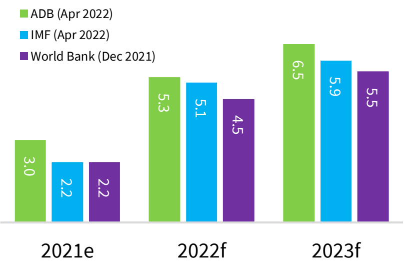
Source: IMF, Team Analysis

Figure 15: Global Inflation Remain Heating



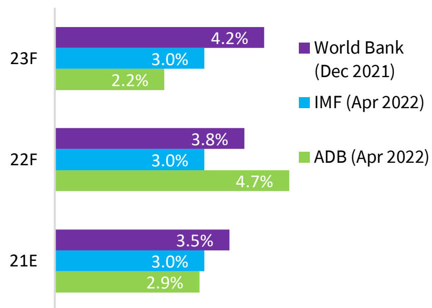
Source: IMF, Team Analysis

Figure 16: Cambodia GDP Growth (%) Consensus



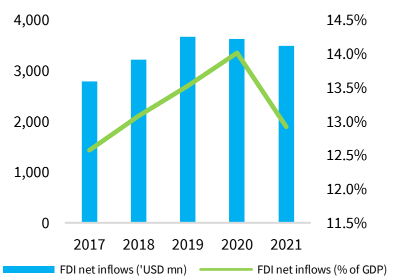
Source: IMF, World Bank, ADB, Team Analysis

Figure 17: Cambodia Inflation Rate (%) Consensus



Source: IMF, World Bank, ADB, Team Analysis

Figure 18: Cambodia FDI and GDP Contribution



Source: IMF, Team Analysis

Over the past decade, Cambodia's export and import have grown steadily. Despite COVID-19, the intensified global outspread in FY21 affected investment causing the FDI in Cambodia to drop by 3.5% YoY. Regardless of the decline in FDI, PPSP has exposed to both external and internal risk making its profit to be more fluctuate throughout the period. With running the out-of-land issue and the long-haul expansion plan, we are pessimistic about PPSP's profitability and return.

MACROECONOMIC OUTLOOK

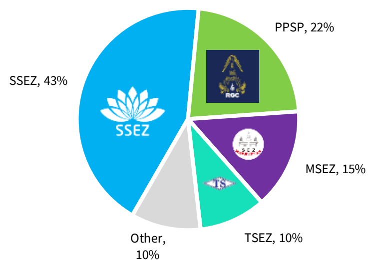
Multiple Adverse Shocks of the Global Economy: As 74% of PPSP's zone investor is mainly from Japan and China, and the zone investor's export destination is mainly to US and EU, any external shock will have a significant impact on PPSP. The global economy is experiencing several turbulent challenges. Inflation higher than seen in several decades, tightening policies in most regions, Russia-Ukraine war, and the third wave of COVID-19 all weigh heavily on the outlook. Global growth is forecast to slow down from 6.0% in FY21 to 3.2% in FY22 and 2.7% in FY23 **(Figure 14)**. The slow growth profile reflects significant slowdowns for economies: the US in H1 FY22, the EU in H2 FY22, and prolonged COVID-19 outbreaks and lockdowns in China with a growing property sector crisis. The adverse impact in China is not expected to be significantly reduced even though the travel restriction in China has been lifted starting from January 8, 2023. However, we expect to see a rise in real estate price in Cambodia despite this impact. Inflation has reached multidecade highs, forcing monetary policy tightening and putting pressure on household budgets. Global inflation is expected to climb from 4.7% in FY21 to 8.8% in FY22 before falling to 6.5% in FY23 **(Figure 15)**. The effect of an inflation hike in the USA in FY23 is expected to be lessened by 3.5% due to the series of monetary tightening. However, the EU continues to be affected by the energy price shock from the Russia-Ukraine war with inflation forecasted to be 6.8% in FY23. Taking into consideration the negative external shock in FY23, PPSP's net profit would fall by 26%, and the ROE will fall from 7.1% in FY22 to 6.5% in FY23.

Robust and Resilience Cambodia Economic Growth: Cambodia's growth rebounded to an estimated 3.0% in FY21 after a contraction of 3.1% in FY20. Since then, despite the COVID-19 pandemic and lockdowns, the Cambodian economy has continued to achieve robust growth and performance. The growth since FY21 was driven by solid industry outputs due to robust external demand (exports of garments and non-garment products), despite the services sector being hit by the prolonged COVID-19 outbreak and lockdowns. GDP growth is forecasted to accelerate in FY22 to 5.3% and 5.1% by ADB and IMF respectively, while the World Bank maintained subdue growth forecast at 4.5% as the manufacturing and services sector is expected to rebound following the full reopening of economic activities **(Figure 16)**. The inflation rate is expected to be high in FY22 & FY23 due mainly to rising energy prices as a result of the war between Russia and Ukraine and looming global economic uncertainty **(Figure 17)**. Cambodia will continue to be one of the fastest-growing economies in the region as IMF forecasted average growth from FY23-FY27 to be 6.27%, the third-highest after Vietnam and the Philippines among ASEAN countries. Additionally, Cambodia's goods exports in H1 FY22 were worth USD 11.37B, a 33.9% rise, and imports rose by 11.9% to USD 15.86B, resulting in a trade deficit of USD 4.48B, a 21% fall compared to last year. Export from SEZ accounts for 19% of the total export in Cambodia. As of FY21, Cambodia's exports of goods and services are 61.3% of GDP, and imports of goods and services are 65.67% of GDP. The exports and imports will continue to take the lead in driving economic growth in Cambodia.

Cambodia's FDI Continues to Remain Calm although External Shock: Cambodia's economic growth and industrialization are heavily reliant on FDI and SEZ scheme is part of a government initiative to encourage domestic investment and FDIs. In FY19, FDI net inflows into Cambodia reached an all-time high of USD 3.66B or 13.6% of GDP. In FY20, despite the pandemic, FDI net inflows were down only slightly to USD 3.62B or 13.5% thanks to the country's effort in keeping the pandemic under control. However, multiple lockdowns of cities due to the community spread of COVID-19 and intensified global outspread in FY21 affected investment, resulting in FDI net inflows into Cambodia dropping 3.5% YoY to USD 3.48B or 12.0% of GDP **(Figure 18)**. China (including Taiwan, Hong Kong, and Macao) has been the largest investor in Cambodia, contributing 48.2% of total FDI inflows in FY21, and is followed by Singapore, Korea, Japan, Thailand, Malaysia, the UK, and the US. FDI inflows mainly to financial activities, manufacturing, construction, and real estate sectors, which increased in FY21, despite the decrease in investment in the services sector due to the pandemic. Going forward, we expect the SEZs to foster a healthy and conducive business environment, but the ongoing global supply-chain issues could affect the inflow of FDI into Cambodia, especially into the SEZs, although it is not the sole deciding factor as the world is in a volatile period: economic, geopolitical, and ecological changes all impact the global outlook.

INDUSTRY DYNAMICS

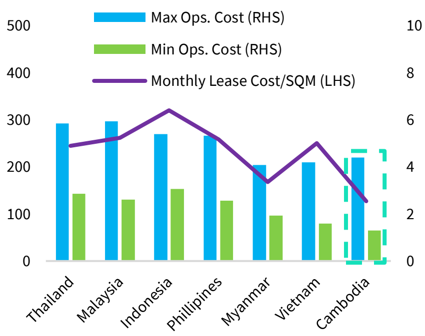
Figure 19: SEZ Market Share by Export Value



Source: CDC, Team Analysis

Fragmented Industry but with Four Major Players: Cambodia has a total of 54 SEZs and accounts for 19% of the total export in Cambodia valued at USD 3.3B but the industry can be characterized as an oligopolistic industry structure, whereby only four players dominate more than 90% of the market share in terms of export from the SEZ – namely Sihanoukville SEZ, PPSP, Manhattan SEZ, and Tai Seng Bavet SEZ **(Figure 19)**. Two indirect players such as Vattanac and Canada's industrial park are also part of this competition but are not as huge as those three direct players. This makes competitive rivalry to be fierce. To compete in the industry, SEZs try to differentiate their offerings through their value-added services from their competitors to attract more investors into their zone.

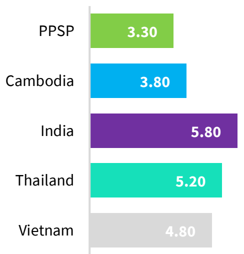
Figure 20: Operating Cost and Lease Cost in SEA



Source: TMX, Team Analysis

Competition on Pricing: More manufacturers based in China, the US, Japan, Korea, Singapore, and other countries are shifting part of their operations to Cambodia due to higher wages and tariffs in their respective countries. Cambodia has one of the lowest wages and lease costs in SEZ among ASEAN countries **(Figure 20)**, and more than 60% of its population are in the productive age group between 15 to 65 years. The bargaining power of workers tends to be low relative to the advantage, these make Cambodia an ideal destination for labor-intensive businesses, strategic location with labor pool availability, and investments in SEZ. However, the Cambodia has the highest logistics cost as proportion to GDP among ASEAN members, making it expensive for export and import oriented companies to operate. Moreover, PPSP tends to be more expensive to operate compared to its closest competitors. For example, water tariff is at a 15% premium and electricity cost at a 4% premium compared to other SEZs, resulting in PPSP's inability to attract more zone investors, as a result affecting its export market share and top-line revenue in FY21.

Figure 21: Lowest Monthly BTS Price Among SEA (USD/SQM)

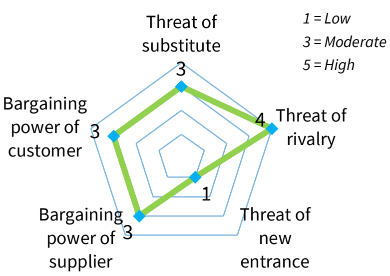


Source: CBRE, Nexus, JLL, Parksguru, Team Analysis

Captive Customer Base with Numerous Substitute: SEZ investors have a variety of substitute options, including industrial zones and large land plots, which are considered alternatives. However, due to the high switching cost of relocating and dismantling the factory, as well as the opportunity cost of postponing production, zone investors are compelled to keep operating their factories and facilities within the SEZ. Furthermore, if the zone investor relocates their factory outside the SEZ, they will lose access to the one-stop advisory service. Zone investors, in this case, would have to obtain QIP on their own if their factory was not built within the zone. As a result, the competitive structure of PPSP is minimally impacted by high switching costs from substitutes. We believe that the moderate threat of substitution remains a strength for PPSP and its industry. Besides this, Cambodia and PPSP have a competitive advantage in attracting more foreign zone investors because they have a low BTS factory lease price (in terms of spec/sqm/month) among ASEAN SEZ **(Figure 21)**. This gives zone investors moderate negotiating power over long-term lease agreements.

Competitive Positioning: The SEZ industry is characterized by the moderate bargaining power of customers and suppliers due to high number of investment and low-wage costs among ASEAN nations. A low threat of new entrants resulting from the high barrier to entry, and high rivalry among the SEZ caused by a small dominant player **(Figure 22 & Appendix D-2)**. PPSP is one of the four main SEZ operators in an oligopolistic industry structure in Cambodia. The oligopolistic industry structure is mainly due to the strategic location, high level of capital requirement, and difficulty in gaining a government license. Moreover, SEZ industry provides an exclusive service that results in a moderate threat of substitutes.

Figure 22: Porter Five Forces Summary



Source: Team Analysis

PPSP'S Competitive Positioning: PPSP is the second largest SEZ in Cambodia in terms of export value, size, and the number of zone investors and plays an important role in SEZ industry. The two main competitive advantages that PPSP can capitalize on include:

1. **Geographical Advantage:** PPSP's competitive advantage is anchored in its strategical location near the capital city of Cambodia since most of Cambodia's export-oriented companies are located in industrial parks in Phnom Penh as well as better accessibility to transport infrastructures. Despite that, Cambodia's population growth rate is predicted to rise by 1.06% from FY22. The increase in working-age population makes it easier for investors to find workers. This makes PPSP becomes a more preferable choice for light manufacturing factories to relocate.

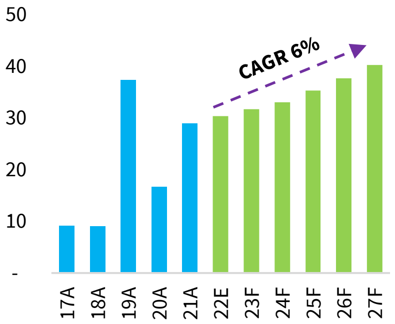
2. **Value-added Services:** Moreover, with much better value-added services provide to the zone tenants compared to most of its competitors, PPSP also makes itself more appealing by offering a distinctive customer proposition by having their in-house wastewater treatment, which is crucial for industrial investors to ensure their net-zero operation. Additionally, they also have backup electricity supplies and other essential industrial needs for zone investors. Investors are hesitant to relocate their factories once they are established due to the substantial switching costs involved.

Figure 23: Key Financial Ratio

	2017A	2018A	2019A	2020A	2021A	2022E	2023F	2024F	2025F	2026F	2027F
Profitability ratios											
Return on Equity	4.5%	-2.4%	32.6%	4.1%	7.1%	7.1%	6.5%	8.6%	8.9%	9.1%	9.4%
Return on Assets	3.0%	-3.4%	16.3%	1.1%	1.9%	2.2%	1.6%	2.3%	2.3%	2.2%	2.2%
Return on Invested Capital	3.9%	-2.0%	23.3%	2.0%	3.4%	4.3%	3.8%	5.0%	5.0%	5.0%	5.1%
Gross Margin Ratio	71.5%	45.3%	61.0%	48.8%	38.0%	35.3%	37.0%	39.0%	39.0%	39.0%	39.0%
Operating Cash Margin	18.1%	-122.8%	5.7%	40.5%	62.6%	9.1%	39.2%	33.6%	35.0%	25.0%	20.0%
EBITDA Margin	37.9%	3.8%	48.8%	25.0%	21.6%	21.8%	20.8%	25.5%	25.9%	26.1%	25.8%
Operating Profit Margin	23.6%	-11.2%	45.2%	14.6%	14.9%	14.5%	13.0%	17.0%	17.0%	17.0%	17.0%
Net Profit Margin	18.4%	-28.3%	40.5%	6.4%	6.6%	8.4%	6.2%	9.1%	8.8%	8.6%	8.4%
Leverage ratios											
Debt-to-equity ratio	19.7%	23.5%	29.9%	31.1%	27.7%	38.0%	36.6%	39.9%	43.5%	46.5%	49.5%
Debt-to-capital ratio	16.5%	19.0%	23.0%	23.7%	21.7%	27.5%	26.8%	28.5%	30.3%	31.8%	33.1%
Operating leverage	-1.8x	151.6x	-5.7x	1.5x	1.0x	0.5x	-1.5x	8.3x	1.0x	1.0x	1.0x
Liquidity Ratio											
Current Ratio	8.6x	2.0x	4.8x	5.6x	2.9x	2.4x	2.2x	2.2x	2.1x	2.1x	2.1x
Quick Ratio	3.5x	0.9x	2.1x	2.2x	1.2x	1.2x	1.2x	1.2x	1.1x	1.2x	1.2x
Cash Ratio	0.7x	0.1x	0.1x	0.2x	0.3x	0.2x	0.2x	0.3x	0.4x	0.5x	0.5x
Interest Coverage Ratio	3.1x	-1.7x	14.2x	1.7x	2.9x	3.2x	2.5x	3.0x	2.8x	2.7x	2.6x
Debt Service Coverage Ratio	0.4x	0.0x	1.0x	0.2x	0.3x	0.3x	0.3x	0.3x	0.3x	0.3x	0.3x
Efficiency Ratio											
Asset Turnover Ratio	0.2x	0.2x	0.4x	0.2x	0.3x	0.3x	0.3x	0.3x	0.3x	0.3x	0.3x
Fixed Asset Turnover Ratio	0.6x	0.7x	2.3x	1.1x	1.9x	1.8x	1.7x	1.4x	1.3x	1.2x	1.2x
Account Receivable Days	394	763	265	535	277	325	362	332	304	290	290
Inventory Turnover Days	2,516	2,018	886	1,519	744	686	666	631	589	566	552
Payable Turnover Days	171	535	242	272	256	395	461	482	489	503	503

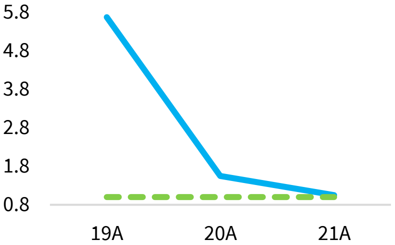
Source: Bloomberg, Team Analysis

Figure 24: Revenue (in USD mil.)



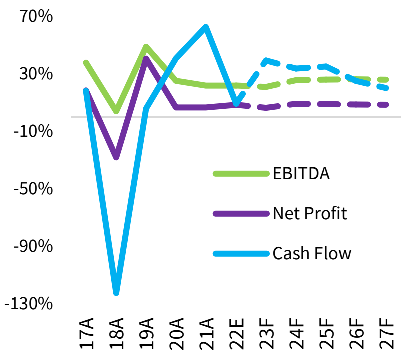
Source: Bloomberg, Team Analysis

Figure 25: Operating Leverage in Absolute Term



Source: Bloomberg, Team Analysis

Figure 26: Profitability Margins



Source: Bloomberg, Team Analysis

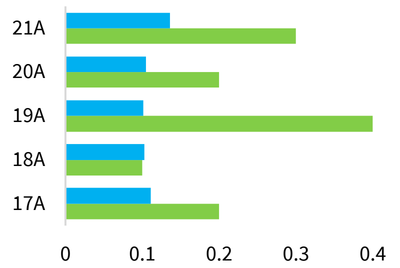
FUTURE STAGNANT TOP-LINE GROWTH DUE TO SATURATED CAPACITY

PPSP's revenue from FY22-27 is projected to grow at 6% CAGR **(Figure 24)**. PPSP's revenue is derived from four sources: land sale/lease, service rendered, rental income, and construction service. PPSP's revenue pattern is volatile and fluctuates according to the land sales as illustrated. In FY19, PPSP experienced the highest revenue due to Marvel Garment acquired 12% of its total area. We forecast the revenue from land sale/lease to grow based on Cambodia's long-run FDI growth rate as their business model is driven by the inflow of FDI **(Appendix E-1)**. Service rendered is determined by the price of the services offered and the number of zone investors. Rental income and construction revenue were collected based on a predetermined price agreement between zone investors and PPSP. For service rendered and rental, we use the YoY inflation rate of Cambodia to speculate the growth, whereas the YoY construction sector growth rate (2012-2019) of Cambodia was used to forecast the construction revenue.
We expect a vague increase in these three-line items, all thanks to a rise in inflation and GDP between FY22-23, and a further increase between 5% - 8% for service and rental by FY27 due to an expected recovery of the world economy starting FY24. Meanwhile, the construction revenue is projected to grow 7% constantly based on Cambodia's construction sector growth rate and the potential synergy effect of Royal Group as it held a major of its holding in real estate.

A MODEST MARGIN EXPANSION IS EXPECTED AFTER THE PITFALL

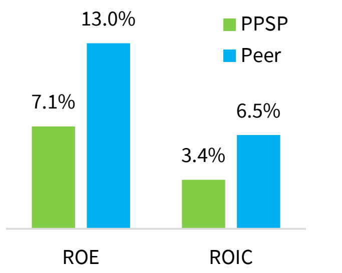
Similar to its top line, PPSP's margins both EBITDA and net profit are very volatile. In FY18, PPSP made a loss due to a revenue decrease and its inability to control costs. On the other hand, the remarkable increase in FY19 was caused by the bulk of fixed expenditures demonstrated by a high degree of operating leverage **(Figure 25)**, such as administrative expenses, failing to expand at the same rate as revenue. However, due to the global pandemic, the EBITDA margin has decreased at a CAGR of 41% from FY19 to FY21 **(Figure 26)**. The rise in COGS and administrative expenses, which account for 34% of revenue in FY20, have weighed heavily on the company's EBITDA margin and net margin. While operating and net margins increased in FY21 as a result of replacing new assets with older ones, the EBITDA margin decreased to 21.6%. Going forward, we project growth in profitability ratio with EBITDA (21%) and net profit (6%) in FY23 due to the expected recession in the economic cycle causing a decline in export and import activity. From FY24-27, tremendous recovery is expected after the recession navigated by low operating costs will boost EBITDA and net margin to an average of 26% and 9% respectively.
As PPSP involve heavily in large capital investment due to the nature of SEZ's business, the operating cash margin is a crucial indicator of how well PPSP converts sales into cash. Based on historical data, PPSP's operating cash margin fluctuates much from year to year **(Figure 26)**. For instance, it even become negative in FY18, a seven times drop compared to FY18 owing to high

Figure 27: Asset Turnover Ratio



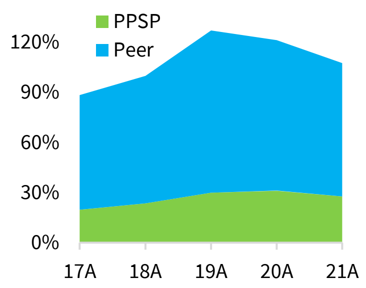
Source: Bloomberg, Team Analysis

Figure 28: FY21 ROE and ROIC



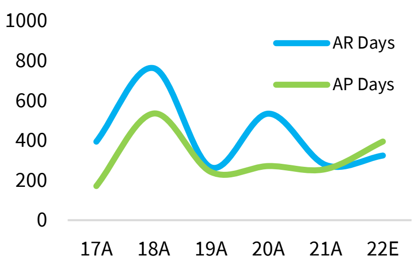
Source: Bloomberg, Team Analysis

Figure 29: Debt-to-Equity Ratio



Source: Bloomberg, Team Analysis

Figure 30: AR and AP Turnover Days



Source: Bloomberg, Team Analysis

working capital turnover which related to the decrease of inventory days from 2,018 in FY18 to 886 in FY19. Looking forward, we expect the operating cash margin to continue the fluctuating trend due to uncertainty of changes in working capital although in a positive margin.

HIGH ASSET TURNOVER DUE TO ITS BUSINESS MODEL

As illustrated in **Figure 27**, PPSP's asset turnover ratio is up to expectations as it is higher than its peers with the asset turnover ratio consistently outperformed its peer by at least more than two times between FY17-FY21. One of the reasons is due to PPSP's business model of selling land. This indicates that companies can function with fewer assets than their less efficient competitors, who may rely substantially on equity and debt to operate. In addition to the asset turnover ratio, the fixed asset turnover ratio also demonstrates quality from the revenue as the company generates sales of USD 1.3 on average for every USD 1.0 invested in fixed assets **(Figure 23)**. We anticipate that PPSP's asset turnover ratio will remain at 0.3x from FY22 to FY27, owing to the company's experience in employing assets efficiently to produce income.

INFERIOR CAPITAL DEPLOYMENT FAILED TO CREATE VALUE

According to the historical performance, PPSP has not efficiently maintained its return ratios (ROE/ROIC) in comparison to the average of its peers, all because of the COVID-19 pandemic from FY20–FY21, inactive global trade, and supply chain disruptions. With a return of only 7.1% and 3.4% respectively in FY21 **(Figure 28)**, the ROE and ROIC have not expanded rapidly over the previous five years. This outcome demonstrated that PPSP's long-term investment plans will not yield results soon, which prohibited PPSP from maximizing its shareholder value. Similar to how PPSP's ROE exhibits the same trend, it was four times lower in FY21 than the industry average. Going forward from FY22-FY27, we expect PPSP's ROE and ROIC to slowly regain momentum hopefully to match the industry average.

HEALTHY LEVERAGE POSITION WITH AN EXPECTED TURNING POINT

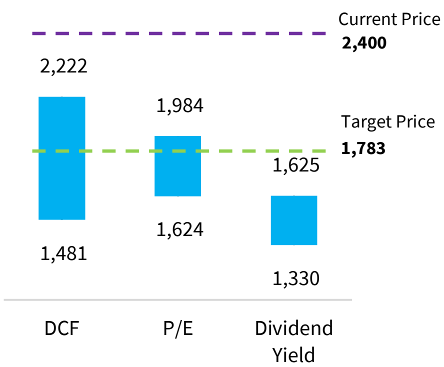
PPSP's book D/E ratio in FY21 was 27.7%, compared to the peer average of 79.9%, indicating an underleveraged capital structure that can easily support additional expansion **(Figure 29)**. Their low leverage resulted in a low probability of default risk supported by a high Alt-Man Z-score **(Appendix E-7)**. Because the company has not undertaken any substantial large-scale investments, it has a stable leverage ratio. However, following its recent development strategy, PPSP is likely to incur additional debts to finance the requirement to develop this newly acquired 100ha land as its volatile cash flow margin will not be able to sustainably finance those plans. Although, the company's debt management abilities (interest coverage ratio) have been decreasing from the historic high of 14.2x in FY19, and DSCR of less than 1.0x will limit its leverage ability, its low debt ratio compared with peers suggests PPSP is still underleveraged.

GROUP SYNERGY CAUSES RECIPROCAL RECEIVABLE & PAYABLE DAYS

PPSP'S receivables and payables have shown a positive relationship historically, with a correlation of 0.9 from FY17-FY22 with strong volatility **(Figure 30)**. This means that if customers pay PPSP late, PPSP will in turn pay their suppliers late as well. This reciprocal relationship could potentially cause by the majority of PPSP's suppliers being under the same parent, which could explain this understandable trend in the company's financial figures. We believe that PPSP's outlook of the receivable and payable days will remain positively correlated within a sluggish range of 300 and 520 days respectively.

VALUATION

Figure 31: Valuation Summary (in KHR)



Source: Team Analysis

We initiate a **SELL** recommendation on PPSP with a one year target price of KHR 1,783 per share, implying a 26% downside risk from the January 18, 2023 closing price of KHR 2,400 per share **(Figure 31)**. A number of valuation approaches, including a 5-year DCF supported by a Relative Multiples Valuation, were used to arrive at a target price for PPSP. The downsides of PPSP are the outcome: 1. Volatile growth due to unsustainable business model, 2. Expansion will not deliver immediate results, and 3. Supply-chain bottlenecks might hold back investors. We ran a sensitivity analysis and Monte Carlo simulation to confirm the robustness of our DCF and integrate the investment risks described in the next section. Our analysis is backed up by a relative value, which supports our **SELL** suggestion.

DISCOUNTED CASH FLOW (DCF) VALUATION

The DCF model was used to estimate the intrinsic value of PPSP's share price because of the company's highly volatile dividend payment which differs significantly from its capacity to pay dividends and due to the predictability of cash flows in relation to revenue growth and its profitability. We chose Free Cash Flow to Equity holders (FCFE) in our DCF analysis due to the

Figure 32: Cost of Equity

Input	Rate	Basis
Risk-Free Rate	3.5%	10Y US treasury bond yield
Beta	1.11	Re-levered and risk-adjusted
Adjusted Market Risk Premium	10.7%	NYU Stern
Cost of Equity	**14.2%**	**CAPM**

Source: Team Analysis

Figure 33: Terminal Growth Rate

Description	Rate	Weight
Long Run GDP Growth Rate	5.7%	20.0%
Long Run Inflation Rate	2.6%	40.0%
5Y Average Cambodia Export Growth	6.5%	40.0%
Terminal Growth Rate	**4.8%**	

Source: Team Analysis

Figure 34: Relative Valuation Input

P/E	
Equity value	USD31,513,926
Number of Shares	71,900,000
Intrinsic value	KHR 1,812
Current share price	KHR 2,400
Downside risk	**24.8%**
Recommendation	**SELL**

Dividend Yield	
Relative value	USD25,804,799
Number of Shares	71,900,000
Intrinsic value	KHR 1,484
Current share price	KHR 2,400
Downside risk	**38.4%**
Recommendation	**SELL**

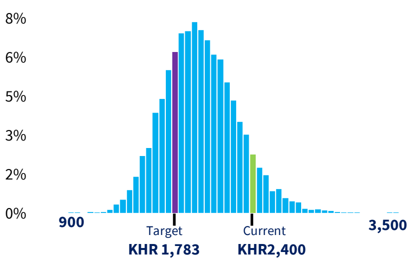
Source: Team Analysis

Figure 35: Scenario Analysis

FCFE DCF	Bull	Base	Bear
Revenue CAGR	**9.2%**	**6.2%**	**3.2%**
Cost of Equity	14.2%	14.2%	14.2%
Share Price	**2,222**	**1,783**	**1,481**
Downside	7.4%	25.7%	38.3%

Source: Team Analysis

Figure 36: Monte Carlo Simulation



Source: Team Analysis

fact that PPSP is a low-leverage company that consists overwhelm equity financing over debt finance and they have a stable capital structure. Our FCFE is based on the cost of equity of 14.2% and a terminal growth rate of 4.8% **(Figures 32 & 33)**.

COST OF EQUITY

Due to PPSP's constant debt-to-equity ratio of 26% on a 5-year average, the cost of equity was used to determine the investor's required rate of return, which was arrived at 14.2% using the capital asset pricing model (CAPM). This was a result of incorporating the risk-free rate of return of 3.5% based on the US 10-year government treasury bond yield and the adjusted market risk premium from the adjustment of Cambodia country risk premium (5.4%) and levered beta (1.11) to arrive at a market risk premium of 10.7 % **(Figure 32)**. We believe that the high cost of equity would result in PPSP needing a high return from its project to justify shareholders' investment.

TERMINAL GROWTH RATE

At the end of the stable period (FY23F-FY27F), the terminal value is computed using perpetual growth rather than exit multiple because it complements our DCF model better. Another reason is the unrealized value that the 100ha expansion would be able to provide beyond our forecasted period. The terminal growth rate of 4.8% is calculated using three key factors, with weights assigned based on their significance: a) Cambodia's five-year average GDP growth rate of 5.7%, b) the country's long-run average inflation of 2.6% and c) Cambodia's five-year export growth rate of 6.5% **(Figure 33)**. The adoption of Cambodian export growth is based on the underlying assumption that the SEZ zone investors are export-oriented.

RELATIVE VALUATION

We conducted relative valuations using P/E and Dividend Yield to validate our recommendation, comparing PPSP to similarly large and regional listed firms in terms of company features and risk exposure. However, due to the lack of publicly traded special economic zone operators in Cambodia, as well as a significant difference in the companies' economic environment, financing, shareholder structure, and local regulations, we believe that the relative multiple valuation approach would not be appropriate for PPSP valuation. Nonetheless, the P/E and dividend yield multiples have resulted in a SELL recommendation to support our DCF model, with the P/E and Dividend Yield multiple resulting in 24.8% and 38.4% downside risk, respectively **(Figure 34 & Appendix F-3)**. The results are consistent with our DCF model.

SCENARIO ANALYSIS

We undertake a Monte Carlo simulation and scenario analysis to assess the robustness of our DCF model and a comprehensive view of PPSP's share price path under uncertainty.

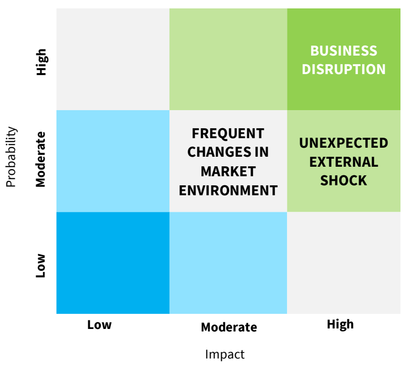
Bull-Bear FCFE DCF: Through the bull and bear case analysis, we adjust key assumptions such as the revenue growth rate of each line item (land sales, services rendered, construction, and rental), the cost of sales, and administrative expenses as a proportion of sales **(Appendix E-1)**. The revenue is mostly driven by Cambodia's export growth, inflation rate, and Cambodia's construction sector growth rate. Based on our analysis, we arrive at a downside risk of 7.4% for the bull cases and a downside risk of 38.3% for the bear cases **(Figure 35)**.

Monte Carlo FCFE DCF: We examine the possible fluctuation in PPSP's share price using Monte Carlo simulation if the target price's key drivers include the cost of equity, terminal growth rate, revenue driver (land sales), and expense drivers (cost of sales) **(Appendix F-4)**. After 10,000 trials, we can conclude that there is a 33% chance that the actual price will exceed the target price of KHR 1,783, a 9% chance that the actual price will reach the current market price of KHR2,400, and 69% of the simulation resulted in a SELL recommendation, all of which strongly suggest that PPSP's share price is overvalued **(Figure 36)**.

SENSITIVITY ANALYSIS

We employ univariate and bivariate sensitivity analysis to incrementally increase/decrease critical line assumptions in our FCFE DCF to assess the resilience of our target price. Our estimate is most sensitive to land sales growth, according to univariate sensitivity analysis (e.g., a 5% increase in land sales growth rate increases the implied share price by 30%). Our COGS margin assumption is the second most risky component, with a 3% rise lowering the share price by 28% **(Appendix F-5)**. Furthermore, the bivariate sensitivity analysis is used, with the cost of equity and terminal growth rate identified as the two primary elements in setting our target price. To shift our recommendation from SELL to BUY, the cost of equity needs to decrease by 300 bps to 11.2% or less, or the terminal growth rate needs to increase by 80 bps to just 5.6% or more – assuming one variable change at a time **(Appendix F-5)**.

Figure 37: Risk Matrix



Source: Team Analysis

Figure 38: Summary of Risks and Mitigations

Risks	Mitigations
Political-Economic Risks	
EM1: Inflation Risk	Delivery risk through client by chagrining higher utilities
	Diverse revenue stream
EM2: Government-Investment policy Risk	Monitor the government policy
	Design suitable strategy to cope the risk
EM3: Sovereign Risk	Unlikely to mitigate the risk since it is out of their control
	Need government to intervene in this
EM4: Trade-Barrier Risk	Unlikely to mitigate the risk since it is out of their control
Market Risks	
MK1: Real Estate Price Risk	Detailed plan and experts on real estate are needed in this field
MK2: Interest Rate Risk	Adopt fixed interest rate in their borrowing policy
MK3: Stock Price Risk	Transform its sustainable business model
Operational Risks	
OP1: Strategy-Implementation Risk	Upgrading skillsets and expertise
	Oversee all existing business effectively
OP2: Key personnel turnover Risk	Enhance the retention and hiring qualified personnel policy alongside the succession plans
	Provide training programs to the potential staffs
OP3: Related Parties Risk	Assessing thoroughly on the financial standing, reputation, and management decision quality of their potential partners.
OP4:Technology & Innovation Risk	Be cautious to technology spillover
	Be more innovative and continuously update utility facilities

Source: Team Analysis

An unexpected external shock, business disruptions, and frequent changes in the market environment are identified as the top three investment risks for PPSP **(Figure 37)**. Figure 38 illustrates the additional risks that PPSP faces as a result of its highly competitive business and some mitigations. We recognize that some threats may only have a moderate impact on profitability and investment return; however, we do find business disruption threats with high probability-high impact risks that can cause massive harm to business profit **(Figure 39)**.

POLITICAL-ECONOMIC RISKS: UNEXPECTED EXTERNAL SHOCK

Probability: Moderate, Impact: High

EM1 Inflation Risk: H2 FY22 has seen a slowdown in global trade growth, and FY23 is expected to see a significant decline. With this rise in inflation, economic growth is likely to slow down in the upcoming years, and interest rates are predicted to rise. PPSP has a significant risk exposure due to the company's performance reliance on a stable economy. Since the price increases, particularly on utility expenditures like rent, energy, and employee wages, PPSP may have trouble sustaining its profit margin. Thus, the business can mitigate this risk by increasing utility prices and services charged to their clients. Another option for PPSP is to diversify its revenue stream to be countercyclical to the economy.

EM2 Government Investment Policy Risk: A list of investment policies issued by the government is always unpredictable, yet considered a significant tool used to encourage or discourage a particular industry. As these regulations would have great influence over the FDI in Cambodia, if the framework is not sophisticated enough to maximize their potential gains, it is undeniable that certain groups of investors may no longer view Cambodia as a favorable investment destination. Therefore, to mitigate this risk, PPSP should monitor the government policy regarding investment and design their business strategy accordingly to suit those policies.

EM3 Sovereign Risk: Cambodia has experienced rapid financial deepening over the last ten years, with credit provided by the banking and macroeconomic systems reaching 145% of GDP in FY21, resulting in a 34.4% increase in household debt to GDP. This increase in debt may force the government to default on its debt due to fiscal policy that includes too much spending on the list, putting Cambodia in a precarious position if the government fails to manage the debt burden as well as the ability to repay, thus, increase Cambodia’s country risk premium. For example, China, as a major creditor, rejects Cambodia's previous payment agreement regarding sovereign debt. Potential investors' decisions may be influenced negatively as a result of the perceived higher credit risk. The loss of investors severely affected PPSP and the country's economy. Thus, to mitigate the risk, PPSP can't combat it on their own unless the government can ensure its capacity to service the debt by developing a strong economy and improving its fiscal performance.

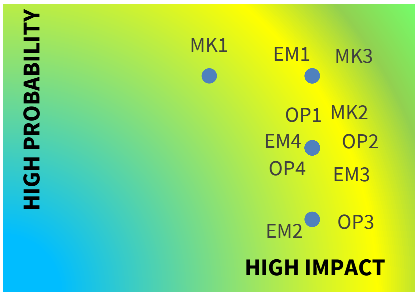
EM4 Trade Barrier Risk: As PPSP itself has admitted that most of the investors are from China and Japan. So, it is possible that in the future the business might face the risk of losing the investor if the government wants to adopt the protectionism strategy to protect industry and workers within the country by imposing tariffs, quotas, and embargoes making foreign goods more expensive and less available. Thus, PPSP might severely affected by this risk and unlikely to mitigate since it is out of their control. However, according to the Cambodian government’s current policy, this risk is unlikely to happen as the country is aiming to be investor friendly.

MARKET RISKS: FREQUENT CHANGES IN THE MARKET ENVIRONMENT

Probability: Moderate | Impact: Moderate

MK1 Real Estate Price Risk: Being a supplier of land for the industrial sector, PPSP is prone to real estate market price speculation. With the recent U-turn of China’s zero COVID-policy, Southeast Asia, especially Cambodia, could see a hike in real estate prices. While this seems to be a great way PPSP could increase their revenue as the price rise, this could adversely affect the number of zone investors back out instead of waiting for the wave to calm down. Moreover, PPSP’s plan to expand their zone might be negatively affected by this rise in the cost of buying land. Evidently, based on the historical performance from FY17-FY21, the cost of sales, which consisted mostly of land, has increased with an average rate of 24% and resulted in a downward trend for the company’s gross profit margin ratio. Thus, due to this YoY fluctuating inflation and real estate price rise, there is an increased likelihood that the cost of sales will reciprocate these factors, leading to the costs of buying new land becoming higher, which directly affects the profit margin of the group. To maneuver through this risk, the company may have to ensure both the valuation surplus is passed to the zone investors, therefore increasing lease price. Additionally, to mitigate the risk of buying overpriced land, a detailed plan and experts on real estate are needed to assess

Figure 39: Risk Heat Map



Source: Team Analysis

the asset prices. However, with the current situation of PPSP needed to purchase nearby land, the local owners of the land might be reluctant to lower their prices, resulting in delays of their plan.

MK2 Interest Rate Risk: Although PPSP's capital structure is not heavily financed by debts, however, the past five-year average DSCR of 0.3x indicates that PPSP is having difficulty in generating sufficient operating income to cover their annual debt obligations without the need of refinancing. Regarding the expansion plan, PPSP is likely to incur more debts to finance the development of the newly acquired 100 ha of land for its new zone, and thus the company might face an interest rate risk due to the increased cost of borrowing. Moreover, the zone investors may decide to postpone their investment in SEZs as a result of the high cost of funding as well due to high-interest rates. Therefore, PPSP should adopt a fixed interest rate in their borrowing to mitigate effects arising from the fluctuations in interest rate.

MK3 Stock Price Risk: Historically, the stock price of PPSP has been trading below its IPO price of KHR 2,890. The volatility of PPSP's stock price might be caused by the unsustainable business model, poor cost management, and earnings volatility. Furthermore, there are some inherent risks associated with the SEZ industry cycle such as uncertainties in the economy, natural disasters, unexpected recessions, and fluctuations in supply and demand that could affect the value of PPSP. If the company's stock price continues to be further decreased, it might cause lower confidence in the perspective of an investor. In response to this, PPSP should transform its business model to be more sustainable for a long-lasting competitive advantage.

OPERATIONAL RISKS: BUSINESS DISRUPTION

Probability: High | Impact: High

OP1 Strategy Implementation Risk: Since PPSP's backbone source of income is derived from sales/long-term leases and prospectively change into the BTS business model, the only way for the company to maintain its long-term operation sustainability is fundamentally relying on its expansion plan. However, extending the existing land bank usually involve large resources requirement and numerous risks. Inefficiency in the implementation and improvement of financial management, business operation systems, and internal controls might cause PPSP to not be ready and end up postponing the zone expansion which will inevitably cause an adverse effect on the company's potential growth. According to the historical performance, PPSP's EBITDA margin and net profit margin show high volatility, especially the significant decline in FY18 due to the decrease in revenue and management's inability to control costs such as COGS and administrative expenses. Therefore, to gain more confidence from the investors, the management of PPSP shall continuously upgrade their skillsets and expertise so that they can monitor and operate the existing business effectively in response to the constantly shifting market conditions.

OP2 Key Personnel Turnover Risk: Since PPSP has great dependency on the competency, skills, and experiences of their existing Directors and Senior officers in managing daily operations, the vacancy of their positions might cause constraints to the performance of the company. For instance, the company's CEO and CFO have been involved in PPSP business administration for 16 years and 9 years respectively. Their absences would inevitably cause difficulty for the company to recruit key personnel that can match their qualifications and management efficiency in a short period which would have an adverse impact on the business operation as well. Therefore, the company shall put in place the retention and hiring qualified personnel policy alongside the succession plans and training programs for the potential staff.

OP3 Related Parties Risk: 13% of PPSP's revenue stream in FY21 is generated from service rendered on facilities provided by the company's subsidiaries and associates. An adverse effect on their day-to-day operation and their long-term strategic planning may arise from any uncooperating of their related parties. Thus, the management of PPSP shall be cautious in choosing their business partners by assessing thoroughly the financial standing, reputation, and management decision quality of their potential partners.

OP4 Technology and Innovation Risk: Presently, PPSP operates their business with high dependency on the facilities service system from their associates and subsidiaries. This may cause the company to lack an impulse to approach innovation and technology advancement in its business strategies. However, with Cambodia's speedy recovery from the pandemic, and the rising of potential business opportunities demonstrate through a yearly increase in FDI in the country, it is very likely that there will be emerging technology-intensive industries in the prospective market. To deal with the increasing threat of rivalry and maintain competitive advantage, it is crucial that PPSP must prepare themselves and be ready to provide the best support to those newcomers through continuous technology learning and innovation as well as properly maintaining and upgrading their utility facilities.

List of Appendices

Appendix A: List of Abbreviations

Abbreviation	Full Term	Abbreviation	Full Term
BPS	Basis point	FY	Fiscal Year
BTS	Built-to-Suit	GDP	Gross Domestic Products
BV	Book value	IP	Investment Properties
CAGR	Compound Annual Growth Rate	NBC	National Bank of Cambodia
CAPEX	Capital expenditure	NYU	New York University
CAPM	Capital Asset Pricing Model	PPE	Property, Plant, and Equipment
COGS	Cost of goods sold	P/E	Price-to-earning
CDC	The Council for the Development of Cambodia	ROE	Return on Equity
CSR	Corporate Social Responsibility	ROIC	Return on Invested Capital
CSX	Cambodia Securities Exchange	SEA	Southeast Asia
DCF	Discounted Cash Flow	SEZ	Special Economic Zone
EBITDA	Earnings before Interest, Tax, Depreciation & Amortization	YoY	Year-on-year
FCFE	Free Cash Flow to Equity	YTD	Year to date

Source: Team Analysis

Appendix B-1: Revenue Streams

Sales of Land

Land sales to zone investors for the construction of factories, facilities, and warehouses, either outright sales or through long-term leases (50 years).

Rendering of Services

Provide zone investors with value-added services such as electricity, water, dry port services, sewage treatment plant, telecommunication network, business registration, customs clearance, accounting services, and compliance services.

Rental of Investment Properties

Rental services in SEZ include factories, dormitories, warehouses, and shop lots. Such rental services are typically provided on a short-term basis. The leasing period is typically three (3) to five (5) years, with the option to renew for another three (3) or five (5) years.

Construction Revenue

Provide engineering and construction work service to zone investor.

Source: Company Data, Team Analysis

Appendix B-2: Detailed Allocation of Land Use

Royal Group Phnom Penh SEZ (as of May 2022) *

	PHASE I (ha)	PHASE II-I (ha)	PHASE II-II (ha)	PHASE III (ha)	TOTAL (ha)
Land for Factory	86.71	59.85	57.82	45.8	250.18
Infrastructure Facilities	25.24	25.18	15.92	11.99	78.33
Commercial development	24.46				24.46
Worker Hostel	1.53	2.82			4.35
Total Area	**137.94**	**87.85**	**73.74**	**57.79**	**357.32**

**This does not include an additional 100ha for further development which will purchase under Royal Group Kandal SEZ Co., Ltd.*

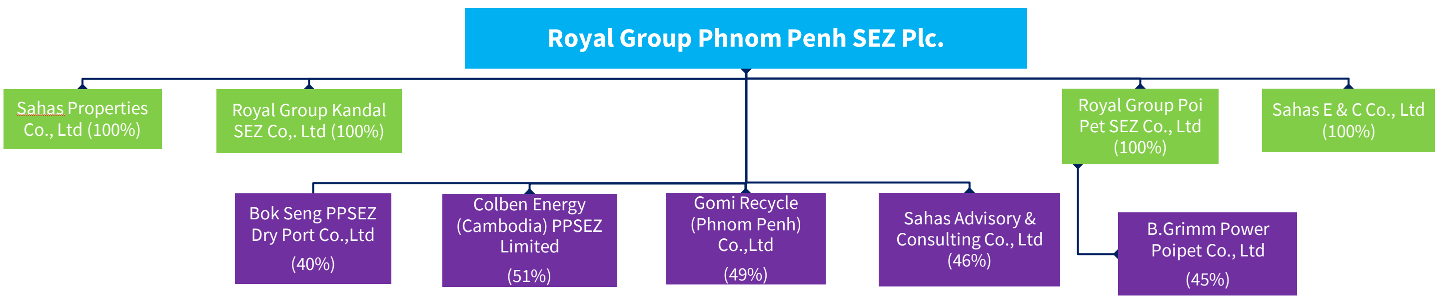
Royal Group Poi Pet SEZ (as of August 2022) **

	PHASE I (ha)	PHASE II (ha)	TOTAL (ha)
Land for Factory	21.94	19.14	41.08
Infrastructure Facilities and Other	12.02	5.54	17.56
Commercial development	1.22		1.22
Total Area	**35.18**	**24.68**	**59.87**

*** This does not include an additional 10.57 ha for further development.*

Source: Company Data, Team Analysis

Appendix B-3: Subsidiaries and Associates



Source: Company Data, Team Analysis

Subsidiaries

The PPSP's wholly owned Sahas Properties Co., Ltd. launched their operation in November 2018. They are mainly in charge of managing and developing real estate within the PPSP zone.

In order to purchase some of the adjacent property for the extension of the Royal Group PPSEZ, PPSP has also established a new business called Royal Group Kandal PPSEZ (formerly known as PPSEZ II).

A brand-new Special Economic Zone (SEZ), Royal Group Poi Pet SEZ is built and run by Royal Group Poi Pet SEZ Co., Ltd., a fully owned subsidiary of Phnom Penh SEZ Plc. It is situated close to the Cambodia-Thai Border in Banteay Meanchey Province in Northwestern Cambodia.

Sahas E&C Co.,Ltd is a wholly-owned subsidiary of Royal Group SEZ PLC incorporated in January 2017 primarily engages in all civil work construction and building work including design, maintenance, procurement, and project management.

Associates

To make it easier for the investor tenants in their import and export process, Royal Group Phnom Penh SEZ established Bok Seng PPSEZ Dry Port Ltd. in partnership with a Singaporean corporation in providing Logistic services.

An independent power plant locates in the Royal Group Phnom Penh SEZ, run by an associate company called Colben PPSEZ, which provides reliable backup power up to 11MW/h for all companies operating in PPSEZ if the national power grid is outage.

Collaborate with a Japanese company for the solid waste management business, PPSP had increased its investment in this associate company by USD480,000 presenting 49% ownership.

PPSP has secured a 46% stake in Sahas Advisory & Consulting, a company that offers tax and management consultancy services.

Imported from Thailand, B. Grimm Power (Poipet) Co., Ltd became an associate of Royal Group Poi Pet SEZ Co., Ltd whose own up to 45% of the total share. This company has built 12 kilometers of power transmission lines that could provide 22 kilowatts of power supply to the Poipet SEZ.

Source: Company Data, Team Analysis

Appendix C-1: ESG Scorecard

Category weight highlights:

- The 10 category weights are based on the Refinitiv ESG category weights matrix of the industry group "Real Estate Operation" with a total of 100%.
- The points' distribution for each theme ranges from 1 to 10.
- Across categories of more than one theme and respective data point, the scoring methodology takes the average of each data point per industry group to calculate the weight at a category level.
- The overall score would be calculated based on the weighted average.

PILLARS	CATEGORIES	THEMES	SCORES	JUSTIFICATION
ENVIRONMENTAL (32%)	**Emission (12%)**	Emissions	8.0	A first-hand survey from the nearby community, PPSP has not emitted any significant emission inside or nearby environment.
		Waste	9.0	According to PPSP's annual report 2021, PPSP has its own wastewater treatment facility within the zone. Moreover, based on our on-site inspection, the waste material from each factory is collected into a container for further disposal. This shows a good waste management system.
		Biodiversity	3.0	Lack of disclosure, but according to our on-site observation, to put land for sale, PPSP has to fill up the unused land or water source with soil to turn it into land for construction. Therefore, this could negatively impact the nearby ecosystem.
		Environmental management system	10.0	PPSP was certified with ISO 14001 on Environmental Management Systems (EMS).
	Innovation (8%)	Service innovation	2.0	Lack of disclosure which makes information harder to access
		Green revenues, research, and development (R&D), and capital expenditures (CAPEX)	2.0	Lack of disclosure on future plans related to the green-related activity.
	Resource use (12%)	Water	8.0	PPSP has its own water reservoirs within the zone to reserve water for future use. They also treat wastewater before being discharged into the nearby water sources.
		Energy	4.0	Although PPSP has its backup electricity power plant, based on its annual report and on-site observation, we believe that the energy is not renewable. The crude oils that are used as a tool for electricity may have a huge impact on the environment.
		Environmental Total Score =	**1.8**	
SOCIAL (35%)	**Community (11%)**	Equally important to all industry groups, hence a median weight of five is assigned to all	8.0	PPSP has shown commitment to supporting the development of the host communities through a number of CSR initiatives such as planting mulberry trees and other social activities.
	Human rights (4%)	Human rights	8.0	PPSP has shown an excellent dedication to involvement in human rights activities. They have been given the right to work and education, the right to receive information, and the freedom of giving speeches and opinions to people who are working in the zone.
	Product responsibility (4%)	Responsible marketing	2.0	Lack of disclosure makes information harder to access.
		Service quality	9.0	According to our survey result with 8 respondents, the satisfaction level is at an overall 95%. There were no consequential issues from the local community.
		Data privacy	2.0	Lack of disclosure which makes information harder to access
	Workforce (16%)	Diversity and inclusion	6.0	The senior officers of PPSP consist of 19 members, 95% are males with only 5% females that manage day-to-day operations.
		Career development and training	9.0	PPSP has provided continuous learning opportunities to the employees within its zones to help them develop their practical skills. They have been consistently encouraged to attend occasional training arranged to enhance their working efficiency.
		Working conditions	8.0	Workers in the zone have been offered adequate equipment necessarily needed to support their daily operations and improve productivity.
		Health and safety	8.0	There are emergency sirens, smoke absorbers, and fire extinguishers installed in place to ensure the safety of the employees. Moreover, the

				security guards have been allocated to different areas to maintain high protection and ensure no crime would occur in the zone.
		Social Total Score =	**2.6**	
GOVERNANCE (33%)	**CSR strategy (4%)**	CSR strategy	**7.0**	PPSP is compliant with the principles of good corporate governance and practices corporate social responsibility through various projects.
		ESG reporting and transparency	**2.0**	PPSP has not disclosed sufficiently relevant information regarding ESG reporting for purposes of public use.
	Management (22%)	Structure (independence, diversity, committees)	**8.0**	Among the 7 members on the board, 85.7% are non-executive directors and independent directors which follow Cambodia Corporate Governance Code. The 7 board members are from Japan, Malaysia, Thailand, Ireland, and Cambodia with one present of the female member. Although members have held a position in various ministries and companies, most of them held different academic backgrounds. The flaw within the PPSP board structure is that there is a lack of gender diversity, as only one woman is employed in the management level. The board has established the Audit, Risk Management, Remuneration, and Nomination Committee. Each board committee consists of non-executive and independent members who are compliant with the best practice yet.
		Compensation	**7.0**	The remuneration policies of PPSP are properly disclosed to board members and senior officers.
	Shareholders (7%)	Shareholder rights	**10.0**	PPSP has granted the rights to all voting rights shareholders with 1 share equal to 1 vote. PPSP has committed to paying out an equal dividend to all shareholders. The company targets a dividend payout ratio of not less than twenty percent (20.00%) of the consolidated profit attributable to the company's equity holders. All shareholders are equally treated and informed about the rights of attaining and receiving information regarding annual general meetings. PPSP soundly provides shareholders rights to join an annual general meeting, receiving, and enquiring on operating performance, implementation, and development plans.
		Takeover defenses	**2.0**	Lack of disclosure on future plans related to Takeover defenses.
		Governance Total Score =	**2.3**	
		Overall Score =	**6.6/10.0**	

Source: Team Analysis

Appendix C-2: Board Committee Scorecard

Rating criteria highlight:

1 - The company did not follow all the criteria. 2 - The company did not sufficiently follow the criteria. 3 - The company decently followed the criteria.
4 - The company sufficiently followed the criteria. 5 - The company completely followed all the criteria.

CRITERIA	DESCRIPTION	RATING	JUSTIFICATION
	Board Structure		
Independence	The board must maintain a level of independence, act in the best interest of shareholders, and be able to separate from and oversee management.	**2.0**	Among the 7 members on the board, 85.7% are non-executive directors and independent directors which follows Cambodia Corporate Governance Code. Furthermore, the board chairman and CEO positions are held separately by two individuals.
Directorship	The board must maintain an acceptable number on the Board of Directors to effectively make decisions.	**2.0**	There are 7 members on the board, as stipulated in the articles of incorporation which abides with the Cambodia Corporate Governance Code. This is not the best practice for global board composition yet.
Diversity	The board must consist of members from various, but complementary professional backgrounds, while representing race and gender diversity.	**3.0**	The 7 board members are from Japan, Malaysia, Thailand, Ireland, and Cambodia with one present of the female member. Although members have held a position in various ministries and companies, a majority of them held different academic backgrounds.
Committee	The board must establish an Audit, Risk Management, and Remuneration and Nomination Committee as required by law.	**4.0**	The board has established the Audit, Risk Management, Remuneration, and Nomination Committee. Each board committee consists of non-executive and independent members who are compliant with the best practice yet.
Competency	The board must maintain a level of competency where members are expected to hold in-depth and relevant experiences related to the company's field.	**4.0**	The majority of board members are well-equipped with relevant and long-term experiences related to the company's field such as property development and logistics management.
	Average Score =	**3.0**	
	Board Committee		
Independence	All board committees shall be chaired by an Independent Director (Cambodia Corporate Governance Code).	**4.5**	All committee is chaired by a non-executive and an independent director.
Competence	All board committee members shall be independent with at least one member with expertise in Finance and Accounting, and one with expertise in Legal Issues and Banking (Cambodia Corporate Governance Code).	**4.5**	All board committee members sufficiently hold relevant qualifications which 3/7 of them are specialized in the Accounting and Finance field as well as one independent director who is an expert in business corporate law.
Integrity of Financial Information	The board committees should ensure that the information provided to the public and SERC is clear, accurate, and reliable (Cambodia Corporate Governance Code).	**4.0**	The Committee hosted 4 board meetings during the fiscal year 2021 to review, discuss and approve quarterly committee reports, audited financial reports, and future business plans.
Selection of Auditor	The company should allow shareholders to ratify the selection of the auditor (CFA).	**2.0**	PPSP does not disclose its procedures in allowing shareholders to select an external auditor, but it rotates its auditor frequently according to the law.
	Average Score =	**3.8**	
	Shareholders' Rights		
Voting Rights	Shareholders reserve the right to vote upon the bases of '1 share, 1 vote' equal to other shareholders.	**4.0**	PPSP has granted the rights to all voting rights shareholders with 1 share equal to 1 vote.
Dividend Rights	Shareholders must have the right in receiving a per-share dividend equal to the value of other shareholders.	**3.0**	PPSP has committed to paying out an equal dividend to all shareholders. The company targets a dividend payout ratio of not less than twenty percent (20.00%) of the consolidated profit attributable to the company's equity holders.

Meeting Rights	Shareholders reserve the right in receiving meetings with the Board equal to other shareholders.	3.0	All shareholders are equally treated and informed about the rights of attaining and receiving information regarding annual general meetings.
Information Rights	Shareholders reserve the right in receiving relevant information equal to other shareholders.	3.0	PPSP soundly provides shareholders rights to join an annual general meeting, receiving, and enquiring on operating performance, implementation, and development plans.
Minority Shareholders Rights	The rights and interests of minority shareholders must be protected as equal to other shareholders.	1.0	Minority shareholders maintain the rights of receiving information as well as other privileges as the majority shareholder. However, since the majority of voting rights shareholders are owned by institutional investors (INTER LOGISTIC, JWD INFOLOGISTICS, and ZEPHYR), the right of implementing major decisions would not be in the interest of minority shareholders.
	Average Score =	**2.8**	
	Disclosure and Transparency		
Disclosure of Information	The company must disclose all relevant information including financial results, operating objectives, and major shareholders' ownership.	3.0	PPSP has disclosed sufficiently relevant information for purposes of public use.
Governance Structure	The company must disclose the governance structure with the backgrounds of the board and key executives.	4.0	PPSP has rightfully disclosed the governance structure, backgrounds, and experiences of the board.
Political Affiliation	The company must disclose all political affiliations and monetary contributions.	1.0	PPSP has not sufficiently disclosed affiliations with the government and financial contributions from external organizations.
Quality of Audit	The company's information must be prepared, audited, and disclosed in accordance with high accounting standards with an annual audit being conducted by an independent external auditor.	4.0	PPSP has its information appropriately audited by an independent external auditor and has disclosed them publicly in accordance with CIFRS.
Format of Disclosure	The company must disclose information in a user-friendly way to avoid ambiguity and complication.	2.0	PPSP has disclosed general information on the company's website. However, this could be improved further to make sure that the information is sufficiently informative.
	Average Score=	**2.8**	
	Overall average score=	**3.1/5.0**	

Source: Company Data, Team Analysis

Appendix C-3: Composition of Board of Directors

	Name	Position	Nationality	Director Since	Education	Quarterly Compensation
	Neak Oknha Kith Meng	Non-Executive Chairman	Cambodian	2022	B.A.	N/A
	Mr. Hiroshi Uematsu	Executive Director/CEO	Japanese	2010	B.A. in Social Relations	USD 25K to USD 37.5K
	Mr. Hiroshi Otsubo	Non-Executive Director	Japanese	2014	B.A. in Economics	Below USD 12.5K
	Mr. Mark Hanna	Non-Executive Director	Irish	2022	B.A. in Accounting	N/A
	Dr. Eakapong Tungsrisanguan	Independent Director	Thai	2022	B.A. in Law	Below USD 12.5K
	Mr. Kang Wei Geih	Independent Director	Malaysian	2015	Master and Ph.D. of Engineering in Telecommunication	Below USD 12.5K
	Ms. Hep Seka	Independent Director	Cambodian	2022	Masters in management	Below USD 12.5K

Source: Company Data, Team Analysis

Appendix D-1: SWOT Analysis

Strengths:

- **Strategic Location –** Located near the capital city making easier access to logistics and essential services.
- **Experience Management –** Major composition of the management has been in PPSP for a long time.
- **Strong Investor Relations -** Maintaining long-standing relationships with many domestic and international zone investors.
- **High Customer Satisfaction -** Satisfying experiences from value-added services such as security and water **(Appendix D-3)**.

Weaknesses:

- **Unsustainable Business Model -** Heavily dependence on land sales/long-term leases as the backbone source of revenue
- **Inadequate Capacity Utilization -** Nearly out of marketable land to sales which only contains two plots left in current present leases.
- **Inefficient Capital Allocation -** Lower ROE, ROIC, and ROCE compared to the industry average resulted in deteriorating shareholder wealth.
- **Fragile to External Shock –** PPSP has a positive correlation with prospered macroeconomic stability and vice versa.

Opportunities:

- **Expansion** - Potential future expansion plan, change of business strategy from traditional land sales/lease into Built-to-Suit (BTS), and capital raising from the foreign market.
- **Diversification** - Technological improvement of the infrastructure and establishment of new services to meet the needs of zone investors and generate more recurring revenue.
- **Synergy –** Possible collaborations with Royal Group which make the option of financing more accessible and value-chain integration.

Threats:

- **Losing Competitiveness** – Deteriorating market share to competitors due to constraints to growth caused by an unsustainable business model and inadequate capacity utilization.
- **Economic Downturn** – May face unexpected recession and slow recovery causing disruptions of the potential investment.
- **Regulatory Complexity** - The operation of SEZs is subject to regulatory requirements which are unpredictable and might be amended by the government over time.

Source: Team Analysis

Appendix D-2: Porter's Five Forces

PPSP's Porter's Five Forces

BUYER - LOW

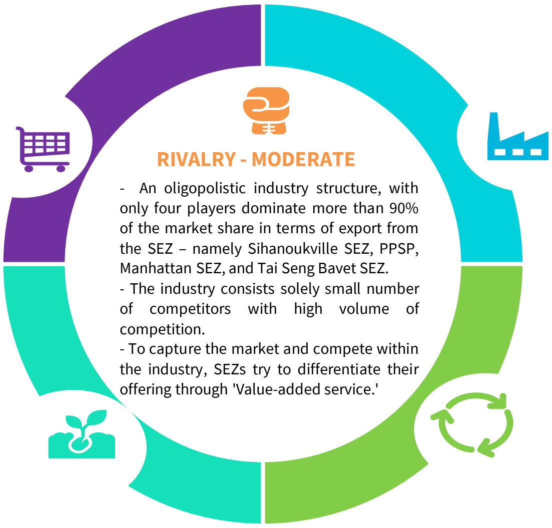
- Lowest BTS price among SEA. PPSP have an upper hand on foreign zone investors in terms of price negotiation.
- Distinctive customer proposition by having:

1. In-house wastewater treatment: crucial for industrial investors to ensure their net-zero operation.
2. Back-up electricity supplies, and independent water supplies, and other essential industrial needs for zone investors.

- Investors are hesitant to relocate their factories once they are established due to the substantial switching costs involved.

NEW ENTRANTS - LOW

- The SEZ industry has historically exhibited a high barrier to entry since it is challenging for most companies to obtain the QIP approval from CSEZB.
- To obtain the QIP, business needs to follow the significant regulatory requirements governing the industry of owning land size needed to operate of a minimum of 50 hectares with an estimated cost between USD50M and USD150M following the current market price for outside the city land. This huge capital requirement has set a favorable outcome for PPSP by setting a high barrier to SEZ industry.



RIVALRY - MODERATE

- An oligopolistic industry structure, with only four players dominate more than 90% of the market share in terms of export from the SEZ – namely Sihanoukville SEZ, PPSP, Manhattan SEZ, and Tai Seng Bavet SEZ.
- The industry consists solely small number of competitors with high volume of competition.
- To capture the market and compete within the industry, SEZs try to differentiate their offering through 'Value-added service.'

SUPPLIER - LOW

- Electricity price charged per kwh is closely regulated by the EDC, with own back-up power supplies
- Majority of suppliers are subsidiaries and associates under the same management; hence, the negotiation power to control their cost
- Cost of switching to another supplier remains low since there are a number of companies being readily available to supply

SUBSTITUTES - MODERATE

- The SEZ's business model hindered the zone investors to expand their operations outside of the zone due to the high switching costs incurred when moving or relocating and dismantling the facility as well as the opportunity costs associated with delaying production.

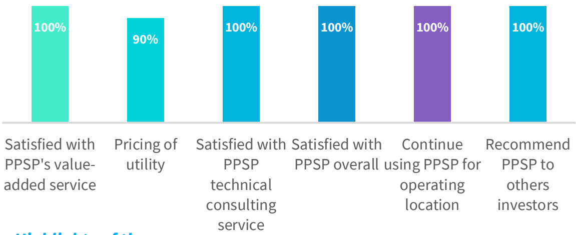
- PPSP was able to add more value to investors through their one-stop advisory services which lessen administrative burden and this is a unique selling point to the zone investors compared to non-SEZ.

Source: Team Analysis

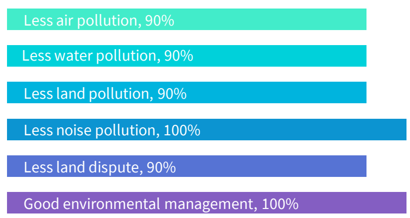
Appendix D-3: Zone Investors and Stakeholders Survey

To understand in detail the surrounding environments and PPSP impacts on their zone investors, zone workers, and the nearby community, in general, to give out the score on ESG and to access PPSP complementary and value-added service, we have done an on-site observation around the zone, along with interviews with community nearby, workers in the factory inside PPSP and especially zone investors. Although this observation and surveys we have done were limited due to time constraints and a small sample size, the responses we got from each respondent were enough to sufficiently draw our conclusion on the matters.

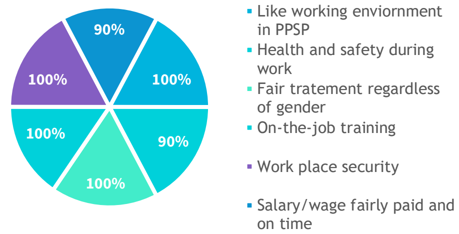
Zone Investors Responses (% based on their agree to the below issues)



Local Community Response (% based on their agree to the below issues)



Factory Workers inside the Zone Responses (% based on their agreement to the below issues)



Highlights of the survey

- Most zone investors use electricity, water, and security service from PPSP.
- They like the strict security offers by the zone.
- Water and electricity from PWSA with back-up supplies, no black-out
- They are available and response quickly when needed.
- The community said the zone do not force them out but try to negotiate with them patiently.
- They use soil to fill up unused water source around their zone to make the land into reusable land.

Source: Team Analysis

Appendix E-1: Pro Forma Assumption

PRO FORMA ASSUMPTIONS
Base Case DCF Scenario
Revenues are forecasted by segments. Sales of land are assumed to grow based on the Cambodia FDI growth rate of 5.3% but at a discount of 2.3% as the company reaches maximum capacity utilization. From 2025 to 2027, the premium gradually increases by 1.7% as the 100ha expansion is projected to be slightly completed. Service rendered is assumed to grow based on the long-run inflation rate of 2.2% and premium of 0.8% as its value-added service is unique compared to competitors. From 2025 to 2027, the premium significantly increases by 3.8% as the service rendered is expected to accommodate the land sales from the slightly completed 100ha expansion. Revenues from the rental of investment properties are assumed to growth is based on the Cambodia FDI growth rate of 5.3%. From 2025 to 2027, the premium gradually increases by 4.7% as the 100ha expansion is projected to be slightly completed and as the company shifts to the BTS business model. The growth rate of construction revenue is assumed based on the CAGR of the construction sector (2012-2019), however, the company is not in a mature stage yet.
The cost of sales and administrative expenses are assumed to increase because of the inflation pressure in 2023, after that, we assume a constant rate of 61% and 22% for the cost of sales and administrative expenses, respectively.
The other income is generally assumed to be 0 unless there is a recurring trend.
The tax rate is assumed based on the statutory tax rate while the interest expense rate is determined by the average of the highest and the lowest interest rate as disclosed in the financial statement.
Inventory days are assumed to experience a downward trend except in 2019 due to COVID-19.
Accounts receivable days are assumed based on the company credit term given to zone investors.
Contract assets, investments in subsidiaries, investments in associates, and investments in joint ventures are assumed to have no change as there is no relevant disclosure and information.
Accounts payable days are likely to increase based on its historical trend.
Tax payable and current contract liabilities are generally assumed to have no change unless there are recurring trends.
The growth rate in the current portion of borrowing is assumed based on the need for financing of 100ha expansion in 2023 and 2024 and revert to normal, although the management didn't expect to use much debt. Conservatively, it grows in line with the revenue.
Cash CAPEX (PPE) is expected to increase as PPSP would need to spend heavily in order to develop the additional 100ha expansion between 2023-2027 to make it a leasable land.
Depreciation of PPE is assumed to be 5 years on average.
Cash CAPEX (IP) is forecasted to grow slightly because it is generally the transfer from PPE.
Depreciation of IP is assumed to be 5 years on average.
Non-current contract liabilities are assumed to be 0 unless there is a recurring trend.
The growth rate for the non-current portion of borrowing is assumed based on the need for financing of 100ha expansion in 2023 and 2024 and revert to normal, although the management didn't expect to use much debt. Conservatively, it grows in line with the revenue.
Share capital and non-controlling interests are assumed to have no change as there is no disclosure of relevant information.

The dividend payout ratio is assumed based on company policy.
Changes in basic shares outstanding and in diluted shares outstanding are assumed to be 0 unless there are recurring trends.

Bull DCF Scenario

All assumptions remain the same except:

- Segmented revenues increased by 3%.

Cost of sales and administrative expenses decreased by 3%.

Bear DCF Scenario

All assumptions remain the same except:

- Segmented revenues decreased by 3%.

Cost of sales and administrative expenses increased by 3%.

Monte Carlo DCF Assumptions

All assumptions remain the same except:

- The annual values of the land sales growth and cost of sales are randomly selected from normal distributions based on those line items' historical arithmetic averages and standard deviations.
- Terminal growth rate is randomly selected from a normal distribution based on the arithmetic average and standard deviation of GDP forecasts.
- Cost of Equity is randomly drawn from a normal distribution based on the arithmetic average and standard deviation of the firm's realized quarterly Cost of Equity.

Source: Team Analysis

Appendix E-2: Base Case Income Statement Assumption

YEAR	2017A	2018A	2019A	2020A	2021A	2022E	2023F	2024F	2025F	2026F	2027F
Segmented Revenue Growth											
Sales of land		-16.5%	578.8%	-74.6%	152.8%	-28.8%	3.0%	3.0%	6.0%	6.0%	6.0%
Rendering of services		5.9%	11.6%	31.0%	-3.5%	-7.0%	3.0%	3.0%	7.0%	7.0%	7.0%
Rental of investment properties		-4.2%	21.5%	102.1%	6.5%	47.3%	5.3%	5.3%	10.0%	10.0%	10.0%
Construction revenue		NA	-47.6%	526.0%	-23.0%	351.7%	7.0%	7.0%	7.0%	7.0%	7.0%
Expenses											
Cost of Sales	28.5%	54.7%	39.0%	51.2%	62.0%	64.7%	63.0%	61.0%	61.0%	61.0%	61.0%
Other income	1.9%	1.4%	1.0%	0.2%	0.7%	0.8%	0.0%	0.0%	0.0%	0.0%	0.0%
Administrative Expenses	49.9%	57.8%	16.8%	34.4%	23.8%	21.6%	24.0%	22.0%	22.0%	22.0%	22.0%
Share of results of associates	5.3%	0.5%	2.6%	4.0%	0.9%	0.4%	0.0%	0.0%	0.0%	0.0%	0.0%
Tax Rate	13.7%	0.0%	9.2%	35.1%	38.2%	19.8%	20.0%	20.0%	20.0%	20.0%	20.0%
Interest Expense Rate (Average Debt)		6.7%	8.4%	8.0%	8.3%	7.3%	7.5%	7.5%	7.5%	7.5%	7.5%

Source: Team Analysis

Appendix E-3: Base Case Balance Sheet Assumption

YEAR	2017A	2018A	2019A	2020A	2021A	2022E	2023F	2024F	2025F	2026F	2027F
Inventory Days	2,624	2,657	868	1,564	744	693	650	620	600	570	570
Accounts Receivable Days	403	1,119	259	491	272	390	350	330	300	300	300
Change in Contract Assets		29,572	(29,572)	-	-	808,614	0	0	0	0	0
Change in Investment in Subsidiaries		-	-	-	-	-	0	0	0	0	0
Change in Investment in Associates		161,652	1,221,560	663,943	1,821,136	2,463,124	0	0	0	0	0
Change in Investment in Joint Venture		-	-	-	-	70,900	0	0	0	0	0
Accounts Payable Days	148	993	146	295	372	450	480	490	520	520	520
Change in Tax Payable		9,460	1,450,881	(1,457,754)	13,303	387,095	0	0	0	0	0
Change in Current Contract Liabilities		13,485,360	(13,485,360)	-	(175,212)	1,140,438	0	0	0	0	0
Growth in Current Portion of Borrowing		125.6%	13.7%	-36.0%	0.9%	55.0%	15.0%	17.0%	17.0%	14.0%	12.0%
Cash Capex (PPE) % of revenue	10.0%	35.8%	23.5%	18.2%	25.1%	24.0%	20.0%	20.0%	18.0%	12.0%	12.0%
Depreciation % of PPE (Opening Balance)	7.4%	8.3%	8.1%	7.2%	10.5%	8.9%	8.0%	8.0%	8.0%	8.0%	8.0%
Cash Capex (IP) % of revenue	0.6%	0.0%	0.0%	9.7%	0.0%	0.0%	1.0%	1.0%	1.0%	1.0%	1.0%
Depreciation % of IP (Opening Balance)	6.3%	6.0%	5.9%	13.7%	5.1%	6.1%	7.2%	7.2%	7.2%	7.2%	7.2%
Change in Non-Current Contract Liabilities		(548,000)	(548,000)	(548,000)	(548,000)	1,918,000	0	0	0	0	0
Growth in Non-Current Portion of Borrowing		6.7%	113.1%	23.1%	-12.1%	39.0%	15.0%	12.0%	12.0%	10.0%	10.0%
Change in Share Capital		7,000,000	-	-	-	-	0	0	0	0	0
Change in Share Premium		2,851,508	-	-	-	-	0	0	0	0	0
Change in Non-Controlling Interests		115,368	363,600	250,888	(1,089,131)	(3,175)	0	0	0	0	0
Dividend Payout Ratio	14.4%	NA	6.2%	200.1%	NA	37.3%	20.0%	20.0%	20.0%	20.0%	20.0%
Change in Basic Shares Outstanding		6.0%	17.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Change in Diluted Shares Outstanding		6.0%	17.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Source: Team Analysis

Appendix E-4: Base Case Income Statement

YEAR (in USD)	2017A	2018A	2019A	2020A	2021A	2022E	2023F	2024F	2025F	2026F	2027F
Total Revenue	**9,135,901**	**9,047,394**	**37,313,781**	**16,681,632**	**28,907,092**	**30,341,297**	**31,672,184**	**33,071,239**	**35,328,633**	**37,744,687**	**40,330,955**
COGS	(2,600,487)	(4,949,063)	(14,553,269)	(8,542,705)	(17,931,012)	(19,636,212)	(19,953,476)	(20,173,456)	(21,550,466)	(23,024,259)	(24,601,882)
Gross Profit	**6,535,414**	**4,098,331**	**22,760,512**	**8,138,927**	**10,976,080**	**10,705,085**	**11,718,708**	**12,897,783**	**13,778,167**	**14,720,428**	**15,729,072**
Other income	174,294	122,894	372,879	35,783	194,186	251,661	-	-	-	-	-
Admin. expense	(4,558,034)	(5,230,100)	(6,269,182)	(5,741,854)	(6,866,172)	(6,542,951)	(7,601,324)	(7,275,673)	(7,772,299)	(8,303,831)	(8,872,810)
Operating Income	**2,151,674**	**(1,008,875)**	**16,864,209**	**2,432,856**	**4,304,094**	**4,413,796**	**4,117,384**	**5,622,111**	**6,005,868**	**6,416,597**	**6,856,262**
Finance costs	(688,064)	(605,207)	(1,184,070)	(1,453,065)	(1,479,196)	(1,366,367)	(1,645,583)	(1,875,285)	(2,120,436)	(2,373,380)	(2,626,657)
Share of results of associates	485,186	46,651	976,560	663,945	270,944	128,776	-	-	-	-	-
Income Before Taxes	**1,948,796**	**(1,567,431)**	**16,656,699**	**1,643,736**	**3,095,842**	**3,176,205**	**2,471,801**	**3,746,825**	**3,885,431**	**4,043,216**	**4,229,605**
Taxes Expense	(267,937)	(992,496)	(1,531,279)	(576,794)	(1,182,020)	(629,475)	(494,360)	(749,365)	(777,086)	(808,643)	(845,921)
Net Income	**1,680,859**	**(2,559,927)**	**15,125,420**	**1,066,942**	**1,913,822**	**2,546,731**	**1,977,441**	**2,997,460**	**3,108,345**	**3,234,573**	**3,383,684**

Source: Company Data, Team Analysis

Appendix E-5: Base Case Balance Sheet

YEAR (in USD)	2017A	2018A	2019A	2020A	2021A	2022E	2023F	2024F	2025F	2026F	2027F
Non-Current Assets:											
Property, plant, and equipment	13,598,128	13,992,106	17,780,328	13,584,990	17,651,996	21,902,409	21,063,054	25,992,257	30,272,031	32,379,631	34,628,975
Investment properties	3,839,723	3,608,607	3,394,493	9,998,571	10,437,603	15,674,957	15,650,069	14,853,977	14,137,777	13,497,304	12,928,807
Investment in subsidiaries	-	-	-	-	-	-	-	-	-	-	-

Investment in associates	8,828,971	8,990,623	10,212,183	10,876,126	12,697,262	15,160,386	15,160,386	15,160,386	15,160,386	15,160,386	15,160,386
Investment in joint venture	-	-	-	-	-	70,900	70,900	70,900	70,900	70,900	70,900
Total Non-Current Assets	**26,266,822**	**26,591,336**	**31,387,004**	**34,459,687**	**40,786,861**	**47,763,656**	**51,944,409**	**56,077,520**	**59,641,094**	**61,108,221**	**62,789,068**
Current Assets:											
Inventories	18,691,653	36,032,174	34,602,982	36,499,627	36,569,137	37,285,523	35,533,588	34,173,614	35,425,424	35,955,692	38,419,378
Trade and other receivables	10,078,511	27,745,892	26,496,605	22,365,303	21,550,960	32,401,090	30,370,588	29,818,330	29,037,233	31,023,030	33,148,730
Contract assets	-	29,572	-	-	-	808,614	808,614	808,614	808,614	808,614	808,614
Cash and Cash Equivalents	2,521,105	1,864,328	1,341,410	1,622,634	5,716,017	5,050,882	7,160,268	11,169,183	16,788,952	20,764,717	22,931,406
Total Current Assets	**31,291,269**	**65,671,966**	**62,440,997**	**60,487,564**	**63,836,114**	**75,546,108**	**73,873,057**	**75,969,741**	**82,060,222**	**88,552,052**	**95,308,128**
Total Assets	**57,558,091**	**92,263,302**	**93,828,001**	**94,947,251**	**104,622,975**	**123,309,764**	**125,817,466**	**132,047,262**	**141,701,315**	**149,660,273**	**158,097,196**
LIABILITIES AND STOCKHOLDERS' EQUITY											
Non-Current Liabilities											
Loans and borrowings	5,475,080	5,844,211	12,452,339	15,332,994	13,481,714	18,740,348	18,527,686	20,751,008	23,241,129	25,565,242	28,121,766
Contract liabilities	10,412,000	9,864,000	9,316,000	8,768,000	8,220,000	10,138,000	10,138,000	10,138,000	10,138,000	10,138,000	10,138,000
Total Non-Current Liabilities	**15,887,080**	**15,708,211**	**21,768,339**	**24,100,994**	**21,701,714**	**28,878,348**	**28,665,686**	**30,889,008**	**33,379,129**	**35,703,242**	**38,259,766**
Current liabilities											
Loans and borrowings	2,034,611	4,590,766	5,218,838	3,339,821	3,371,527	5,277,083	4,944,201	5,784,715	6,768,117	7,715,653	8,641,531
Current tax liabilities	389	9,849	1,460,730	2,976	16,279	403,374	403,374	403,374	403,374	403,374	403,374
Trade and other payables	1,054,060	13,464,087	5,828,314	6,884,738	18,286,103	29,481,337	26,240,188	27,008,179	30,702,034	32,801,684	35,049,257
Contract liabilities	548,000	14,033,360	548,000	548,000	372,788	1,513,226	1,513,226	1,513,226	1,513,226	1,513,226	1,513,226
Total Current Liabilities	**3,637,060**	**32,098,062**	**13,055,882**	**10,775,535**	**22,046,697**	**31,325,895**	**33,100,989**	**34,709,494**	**39,386,751**	**42,433,937**	**45,607,389**
Total Liabilities	**19,524,140**	**47,806,273**	**34,824,221**	**34,876,529**	**43,748,411**	**60,204,243**	**61,766,675**	**65,598,502**	**72,765,880**	**78,137,179**	**83,867,155**
Stockholders' Equity											
Share capital	28,937,500	35,937,500	35,937,500	35,937,500	35,937,500	35,937,500	35,937,500	35,937,500	35,937,500	35,937,500	35,937,500
Share premium	1,723,543	4,575,051	4,575,051	4,575,051	4,575,051	4,575,051	4,575,051	4,575,051	4,575,051	4,575,051	4,575,051
Retained earnings	7,020,299	3,476,501	17,659,652	18,475,706	20,368,679	22,602,812	23,548,081	25,946,050	28,432,726	31,020,384	33,727,331
Non-controlling interests	352,609	467,977	831,577	1,082,465	(6,666)	(9,841)	(9,841)	(9,841)	(9,841)	(9,841)	(9,841)
Total Stockholders' Equity	**38,033,951**	**44,457,029**	**59,003,780**	**60,070,722**	**60,874,564**	**63,105,522**	**64,050,791**	**66,448,760**	**68,935,436**	**71,523,094**	**74,230,041**
Total Liabilities and Stockholders' Equity	**57,558,091**	**92,263,302**	**93,828,001**	**94,947,251**	**104,622,975**	**123,309,764**	**125,817,466**	**132,047,262**	**141,701,315**	**149,660,273**	**158,097,196**

Source: Company Data, Team Analysis

Appendix E-6: Base Case Cashflow Statement

YEAR (in USD)	2017A	2018A	2019A	2020A	2021A	2022E	2023F	2024F	2025F	2026F	2027F
OPERATING ACTIVITIES											
Profit before tax	1,948,796	(1,567,431)	16,656,699	1,643,736	3,095,842	3,176,205	2,471,801	3,746,825	3,885,431	4,043,216	4,229,605
Adjustments for non-cash items:											
Depreciation of Property, Plant, and Equipment	1,077,854	1,124,262	1,133,068	1,276,495	1,431,678	1,567,473	1,280,749	1,685,044	2,079,381	2,421,762	2,590,370
Depreciation of Investment Properties	230,228	231,116	214,114	465,773	505,968	638,421	1,189,656	1,126,805	1,069,486	1,017,920	971,806
Deferred revenue	(548,000)	(548,000)	(13,971,371)	(548,000)	(548,000)	(411,000)	-	-	-	-	-
Impairment loss on investment in an associate	35,407	-	-	-	-	-	-	-	-	-	-
Finance costs	688,064	605,207	1,184,070	1,453,065	1,479,196	1,366,367	1,645,583	1,875,285	2,120,436	2,373,380	2,626,657
Interest income	(15,876)	(33,828)	(223)	(378)	(1,885)	(189)	-	-	-	-	-
Share of results of associates	(370,186)	(161,652)	(976,560)	(663,943)	(270,944)	(128,776)	-	-	-	-	-
Property, plant, and equipment written off	852	-	-	2,138	-	21,445	-	-	-	-	-
Transfer from IP to JV	-	-	-	-	-	(43,652)	-	-	-	-	-
Operating profit before changes in working capital	3,047,139	(350,326)	4,239,797	3,628,886	5,691,855	6,186,294	6,587,790	8,433,960	9,154,735	9,856,279	10,418,439
Changes in Operating Assets and Liabilities:											
Inventories	(870,908)	(15,744,115)	5,269,274	(1,400,794)	772,433	(716,386)	1,751,935	1,359,974	(1,251,810)	(530,268)	(2,463,686)
Trade and other receivables	(76,267)	(18,090,775)	880,843	3,678,217	(127,623)	(10,850,130)	2,030,502	552,257	781,098	(1,985,798)	(2,125,700)
Contract assets	-	(29,572)	29,572	-	-	(808,614)	-	-	-	-	-
Trade and other payables	(447,682)	9,658,523	(8,239,117)	858,001	11,938,659	5,896,108	2,057,977	767,991	3,693,855	2,099,650	2,247,573
Contract liabilities	-	13,445,360	(61,989)	-	(175,212)	3,058,438	-	-	-	-	-
Net cash generated from operations	1,652,282	(11,110,905)	2,118,380	6,764,310	18,100,112	2,765,711	12,428,204	11,114,182	12,377,878	9,439,863	8,076,626
Tax paid	(267,844)	(983,036)	(80,398)	(2,034,548)	(1,168,717)	(242,380)	(494,360)	(749,365)	(777,086)	(808,643)	(845,921)
Interest paid	(651,528)	(605,207)	(1,184,070)	(1,453,065)	(1,479,196)	(1,366,367)	(1,645,583)	(1,875,285)	(2,120,436)	(2,373,380)	(2,626,657)
Net Cash Provided by / (used in) Operating Activities	**732,910**	**(12,699,148)**	**853,912**	**3,276,697**	**15,452,199**	**1,156,965**	**10,288,260**	**8,489,532**	**9,480,355**	**6,257,840**	**4,604,048**
INVESTING ACTIVITIES:											
Additions of:											
- Property, plant, and equipment	(910,310)	(3,241,711)	(8,761,372)	(3,030,313)	(7,259,640)	(7,272,501)	(6,334,437)	(6,614,248)	(6,359,154)	(4,529,362)	(4,839,715)
- Investment properties	(50,662)	-	-	(1,618,684)	-	-	(316,722)	(330,712)	(353,286)	(377,447)	(403,310)
- Investment in subsidiaries	-	-	-	-	(1,109,980)	-	-	-	-	-	-
- Investment in associates	(2,400)	-	(245,000)	-	(1,619,948)	2,463,124	-	-	-	-	-
- Investment in joint venture	-	-	-	-	-	70,900	-	-	-	-	-

Dividend received from associates	-	-	-	-	43,769	-	-	-	-	-	-
Interest received	15,876	33,828	223	378	1,885	-	-	-	-	-	-
(Advances to)/Repayments	125,511	2,815,410	971,788	651,508	404,672	(415,063)	(636,683)	-	-	-	-
Net Cash Provided by / (used in) Investing Activities	**(821,985)**	**(392,473)**	**(8,034,361)**	**(3,997,111)**	**(9,539,242)**	**(5,153,539)**	**(7,287,841)**	**(6,944,960)**	**(6,712,440)**	**(4,906,809)**	**(5,243,024)**
FINANCING ACTIVITIES:											
Dividend paid	(289,134)	(341,950)	(578,669)	-	-	(550,773)	(395,488)	(599,492)	(621,669)	(646,915)	(676,737)
Repayment of loans and borrowings	(4,176,059)	(2,124,714)	(2,963,800)	(5,009,242)	(5,789,647)	(39,413,278)	-	-	-	-	-
Drawdown of loans and borrowings	4,663,625	-	-	6,010,880	3,970,073	36,181,300	-	-	-	-	-
Proceeds from issuance of ordinary shares	-	9,851,508	-	-	-	-	-	-	-	-	-
Proceeds from term loan	-	5,050,000	10,200,000	-	-	7,114,190	(495,545)	3,063,836	3,473,522	3,271,649	3,482,403
Net Cash Provided by / (used in) Financing Activities	**198,432**	**12,434,844**	**6,657,531**	**1,001,638**	**(1,819,574)**	**3,331,439**	**(891,033)**	**2,464,344**	**2,851,853**	**2,624,735**	**2,805,666**
OPENING CASH AND CASH EQUIVALENTS	2,411,748	2,521,105	1,864,328	1,341,410	1,622,634	5,716,017	5,050,882	7,160,268	11,169,183	16,788,952	20,764,717
Net Increase /(Decrease)	109,357	(656,777)	(522,918)	281,224	4,093,383	(665,135)	2,109,386	4,008,916	5,619,768	3,975,765	2,166,689
CLOSING CASH AND CASH EQUIVALENTS	**2,521,105**	**1,864,328**	**1,341,410**	**1,622,634**	**5,716,017**	**5,050,882**	**7,160,268**	**11,169,183**	**16,788,952**	**20,764,717**	**22,931,406**

Source: Company Data, Team Analysis

Appendix E-7: ALT-MAN Z

Input variable (in USD)	2017A	2018A	2019A	2020A	2021A
Working capital	27,654,209	33,573,904	49,385,115	49,712,029	41.789.417
Total Assets	57,558,091	92,263,302	93,828,001	94,947,251	104.622.975
Retained Earning	7,020,299	3,476,501	17,659,652	18,475,706	20.368.679
Operating Profit	2,151,674	(1,008,875)	16,864,209	2,432,856	4.304.094
BV of Debt	7,509,691	10,434,977	17,671,177	18,672,815	16.853.241
Revenue	9,135,901	9,047,394	37,313,781	16,681,632	28.907.092
Market Value of equity	163,207,500	177,987,500	185,437,500	84,812,500	148,781,250

Derived variable	2017A	2018A	2019A	2020A	2021A
X1. Working Capital/ Total Assets	0.480457	0.363892	0.526337	0.523575	0.399429
X2. Retained Earnings/Total Assets	0.121969	0.037680	0.188213	0.194589	0.194686
X3. Operating Profit/Total Assets	0.037383	(0.010935)	0.179735	0.025623	0.041139
X4. Market Value of Equity/BV of Debt	21.733	17.057	10.494	4.542	8.828
X5. Sales/Total Assets	0.158725	0.098061	0.397683	0.175694	0.276298
Z-Score Output	**13.041**	**10.235**	**6.298**	**2.726**	**5.298**

The Altman Z-Score test is used to measure a company's financial status and its likelihood of going bankrupt. Altman Z-Score is computed using the formula function: (1.2*X1) + (1.4*X2) + (3.3*X3) + (0.6*X4) + (1.0*X5). The benchmark score for the Altman Z-score test states that a company that scores below 1.80 faces a high probability of going bankrupt in the future, whereas a company that scores above 3.00 is unlikely to file for bankruptcy.

RESULT: According to Altman's scoring benchmark, PPSP has an average score of 7.52 which is less than 1.80. Based on the illustrated result, PPSP is considered as a company with low default risk.

Source: Company Data, Team Analysis

Appendix F-1: Free Cash Flow to Equity (FCFE)

YEAR (in USD)	2023F	2024F	2025F	2026F	2027F
Operating Profit (EBIT)	**4,117,384**	**5,622,111**	**6,005,868**	**6,416,597**	**6,856,262**
Less: Unlevered Taxes	(823,477)	(1,124,422)	(1,201,174)	(1,283,319)	(1,371,252)
Net Operating Profit After Tax (NOPAT)	**3,293,907**	**4,497,689**	**4,804,694**	**5,133,277**	**5,485,010**
Plus: Depreciation & Amortization	2,470,406	2,811,849	3,148,867	3,439,682	3,562,176
Less: Cash Capex	(6,651,159)	(6,944,960)	(6,712,440)	(4,906,809)	(5,243,024)
Plus: Changes in Net Working Capital	5,840,414	2,680,222	3,223,143	(416,416)	(2,341,813)
Free Cash Flow to Firm (FCFF)	**4,953,568**	**3,044,800**	**4,464,264**	**3,249,735**	**1,462,350**
Add: Net Debt	(495,545)	3,063,836	3,473,522	3,271,649	3,482,403
Less: Interest Tax Deductible	(1,316,467)	(1,500,228)	(1,696,349)	(1,898,704)	(2,101,326)
Free Cash Flow to Equity (FCFE)	**3,141,557**	**4,608,408**	**6,241,437**	**4,622,680**	**2,843,426**

Perpetuity approach	in USD
Total Present Value	14,753,989
Terminal year PV	16,398,318
Total Equity Value	**31,152,307**
Intrinsic value	KHR 1,783
Current share price	KHR 2,400
Downside risk	26%
Recommendation	**SELL**

We believe that DCF is the most appropriate method to value PPSP by including value-driven factors to reflect all the future potentials for the company. The DCF model allows us to apply the economic factors, industry factors, and business strategies including its plan for CAPEX which the model is most sensitive to. We forecasted PPSP's financial performance for 5 years up until 2027E to explore its true performance after the announcement of launching the 100ha expansion strategy to Kandal province and the company's capability to attract the zone investor to those leasable lands through the facilitation of Cambodia post-pandemic economic recovery. With regards to its strategic expansion plan from 2023 to 2027, PPSP is expected to commit a significant amount to capital expenditure as illustrated by our forecasts in the pro forma statement of cash flows **(Appendix E-6)**. We derive the intrinsic value from DCF method is KHR 1,783 per share.

Source: Team Analysis

Appendix F-2: Beta Calculation

Ticker	Name	5Yr Avg Tax Rate	Levered Beta	Debt (in USD)	Mkt Cap (in USD)	Debt/Equity	Unlevered Beta
MMLP IJ	Mega Manunggal Property Tbk PT	0.0%	1.02	56M	201M	27.6%	0.80
FPT TB	Frasers Property Thailand PCL	16.8%	0.84	1,410M	1,000M	141.0%	0.38
NIRL IN	Nirlon Ltd	31.6%	0.61	155M	388M	40.0%	0.48
NSE IN	NESCO Ltd	24.6%	1.66	79M	545M	14.5%	1.50
AMATA TB	Amata Corp PCL	14.6%	1.18	490M	668M	73.4%	0.73
WHA TB	WHA Corp PCL	11.7%	1.21	1,170M	1,660M	70.5%	0.74
SPI TB	Saha Pathana Inter-Holding PCL	0.9%	0.21	353M	1,150M	30.7%	0.16
SIP VN	Sai Gon VRG Investment Corp	19.9%	0.90	20M	255M	7.8%	0.85
Average							**0.85**
Average Unlevered Beta for Comps							
PPSP KH D/E							38.0%
Tax Rate (5-Year Average)							20.0%
PPSP KH Levered Beta							**1.11**

Source: Bloomberg, Team Analysis

Note: Average Unlevered Beta is calculated by excluding two outlier's data which are FPT TB and SPI TB that exhibit low beta due to it being established and mature companies.

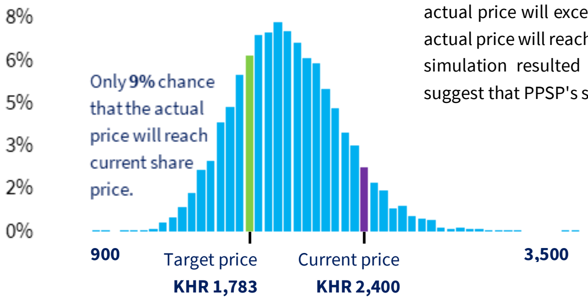
Appendix F-3: Peer's Valuation Multiples

Peers	Ticker	Country	P/E	Dividend Yield	P/B	EV/EBITDA	EV/EBIT
Mega Manunggal Property Tbk PT	MMLP IJ	Indonesia	17.0x	N/A	0.9x	29.1x	29.7x
Frasers Property Thailand PCL	FPT TB	Thailand	17.1x	2.9%	0.8x	20.1x	27.2x
Nirlon Ltd	NIRL IN	India	19.3x	2.0%	4.3x	13.7x	18.2x
NESCO Ltd	NSE IN	India	12.9x	N/A	15.5x	13.6x	2.5x
Amata Corp PCL	AMATA TB	Thailand	22.6x	1.4%	1.4x	13.6x	33.4x
WHA Corp PCL	WHA TB	Thailand	20.3x	2.7%	1.7x	18.1x	23.6x
Saha Pathana Inter-Holding PCL	SPI TB	Thailand	11.6x	1.9%	1.0x	40.2x	54.5x
Sai Gon VRG Investment Corp	SIP VN	Vietnam	11.1x	1.9%	4.0x	N/A	N/A
Average			**16.5x**	**2.1%**	**3.7x**	**21.2x**	**27.0x**
Median			**17.0x**	**2.0%**	**1.6x**	**18.1x**	**27.2x**
Royal Group Phnom Penh SEZ	**PPSP KH**	**Cambodia**	**21.3x**	**1.4%**	**0.7x**	**7.0x**	**10.1x**

Source: Bloomberg, Team Analysis

To ensure that selected peers are equivalent to PPSP, we rigorously analyze each peer's geographical location, business strategy, and ownership. PPSP's peers are in countries with similar dynamics to Cambodia, particularly in Southeast Asia and India. However, not all the peers are SEZ operators, but they do operate an industrial park and industrial real estate properties that are similar to the SEZ business model.

Appendix F-4: Monte Carlo Simulation



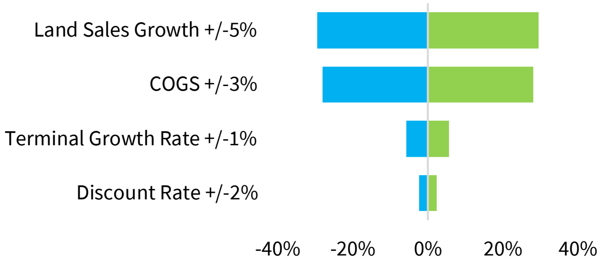
After 10,000 trials, we can conclude that there is a **33%** chance that the actual price will exceed the target price of KHR1,783, a **9%** chance that the actual price will reach the current market price of KHR 2,400, and **69%** of the simulation resulted in a **SELL** recommendation, all of which strongly suggest that PPSP's share price is overvalued.

Key Variables	Mean	Standard Deviation
Cost of equity	11%	0.50%
Terminal growth	4%	0.50%
Sales of land	12%	1.00%
Cost of sales	61%	1.00%

Summary	
Mean	1,988
Median	1,972
Standard Deviation	262
Max	3,175
Min	1,116
Coefficient of Variation	13%
Target Price	1,783
Market Price	2,400
% Buy	2%
% Holds	29%
% Sells	69%
Probability	**33%**

Source: Team Analysis

Appendix F-5: Sensitivity Analysis



Source: Team Analysis

Cost of Equity

Terminal Growth Rate	11.2%	12.2%	13.2%	**14.2%**	15.2%	16.2%	17.2%
3.6%	2,217	1,993	1,814	1,668	1,545	1,441	1,352
4.0%	2,295	2,052	1,859	1,703	1,574	1,465	1,371
4.4%	2,382	2,116	1,908	1,742	1,605	1,490	1,392
4.8%	2,480	2,187	1,962	1,783	1,638	1,516	1,414
5.2%	2,591	2,267	2,021	1,829	1,673	1,545	1,437
5.6%	2,718	2,356	2,087	1,878	1,712	1,576	1,462
6.0%	2,864	2,456	2,159	1,933	1,754	1,609	1,489

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