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CFA Institute Research Challenge

Hosted by

Cambodia Community of Investment Professionals

Team E

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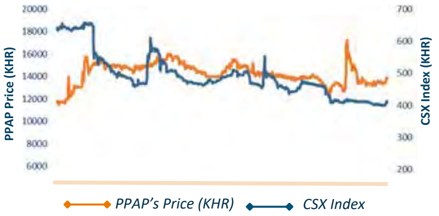
INVESTMENT SUMMARY

Figure 1: Valuation Summary

RECOMMENDATION	HOLD
Stock exchange	Cambodia Security Exchange
Ticker symbol	PPAP
Industry	Transportation
Sector	Transport & Logistics
Market Price	KHR 13,860
Date	29/01/2025
Target Price	KHR 14,150
Upside	2%
Share outstanding	20,684,365
Free Float	3.65%

Source: Company Data, CSX, Team analysis

Figure 2: PPAP's Share Price Performance 2021-2025



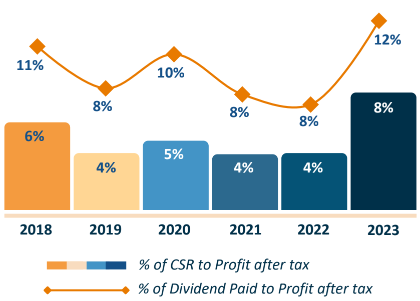
Source: Company Data

Figure 3: Valuation Results

DCF - FCFE (Target Price)	**KHR 14,150**
Comps - P/E	**KHR 12,211**
Comps - EV/EBITDA	**KHR 12,448**
Market Price	**KHR 13,860**

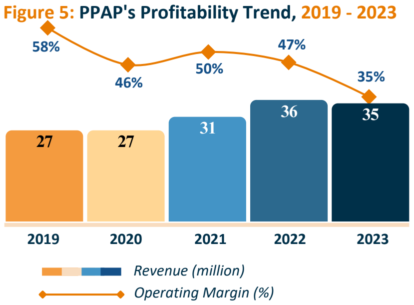
Source: Company Data, Bloomberg

Figure 4: PPAP's Total CSR VS Dividend Spending from 2018 - 2023



Source: Company Data

Figure 5: PPAP's Profitability Trend, 2019 - 2023



Source: Company Data

For Phnom Penh Autonomous Port (PPAP), we propose a HOLD recommendation based on a 12-month target price of KHR 14,150 implying a 2% upside to the closing price of KHR 13,860 as of January 29, 2025. Our valuation uses the discounted cash flow (DCF) model to determine the intrinsic value of PPAP based on Free Cash Flow To Equity (FCFE). While PPAP has shown impressive recovery from its 2023 slump and will continue to have increasing cash flows from its monopoly on river trade, we recognized several inherent weaknesses that can negatively affect PPAP's future growth prospects such as:

INTENSIFIED COMPETITION DUE TO SEAPORTS EXPANSION AND ENHANCED HINTERLAND CONNECTIVITY

Despite being the sole player as a river port operator, PPAP's position is becoming increasingly challenged by the expansion of deep seaports and enhanced regional connectivity, threatening its market share and long-term growth prospect. The $1.5 billion Kampot Port, which was inaugurated in June 2024, will have the capacity to handle about 300,000 TEUs (twenty-foot equivalent unit) by 2025 and with 13m depth, it will accommoate larger vessels than PPAP. Furthermore, Sihanoukville Autonomous Port (PAS) is undergoing significant upgrades, including the installation of new ship-to-shore cranes and dredging to accommodate larger vessels which is expected to improve its share of Cambodia's total container volumes and chip away at PPAP's share. Finally, planned road and railway infrastructure improvements are expected to erode PPAP's current strategic advantage. For instance, the Phnom Penh-Sihanoukville Expressway and China-backed railway extension to the Gulf of Thailand will facilitate faster, more cost-efficient cargo movement, allowing exporters to bypass PPAP's river port services in favor of deep seaport alternatives. PPAP also appears to have a 10% price premium for their key export destination while offering less standardized services as reported by 33% of our surveyees. These disadvantages combined with their inherent limitation as a river port compared to a sea-bound one further explains their 33% TEU share of the total TEU volume.

GOVERNANCE AT ODDS – STATE VERSUS MINORITY SHAREHOLDER INTEREST

Minority shareholders are at risk from PPAP's state-controlled ownership structure, which emphasizes government goals over shareholder wealth. The Ministry of Economy and Finance (MEF) owns 80% of class A and B shares, which have full voting rights, giving the state decision-making power. While this government control ensures PPAP's monopoly on domestic river trade which ensure the company's future sustainability and survival, it also raises worries that corporate actions may be politically motivated or linked with state-driven infrastructure projects rather than increasing financial performance and shareholder returns. For instance, PPAP devotes 5% of its annual net earnings to government directed CSR which translates to $3.2 million from FY18-23 (Figure 4). PPAP was mandated by the government to acquire a 25% equity stake in the Funan Canal project and undertake the operation and construction of its initial 21KM, with an estimated investment of $49.58m which raised concerns about its alignment with the company's financial and strategic objectives. Governance risks are exacerbated by board duality, with the government appointed Chairman also serving as CEO, and only two out of seven directors are independent. The government-appointed board lacks technical experience and independent monitoring, affecting decision-making accountability and objectivity. Finally, in 2018, it was reported that PPAP leased property worth over $100 million to a Chinese company for just $16.5 million. These problems are reflected in PPAP's 57% governance score using Refinitiv and CFA Governance Framework.

DISAPPOINTING RETURN DRIVEN BY DETERIORATING PROFITS AND INEFFICIENT ASSET UTILIZATION

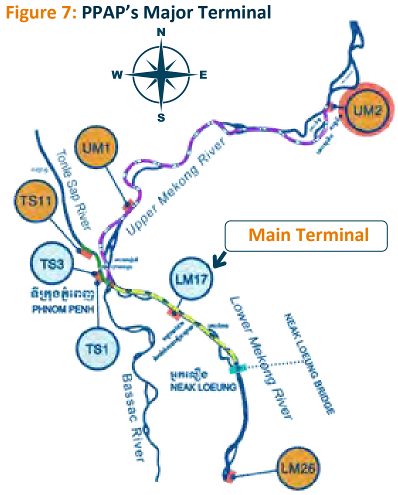
PPAP's revenue and profits have grown steadily over the years and remains quite healthy, however, that growth was gained through sacrificing margins and efficiency as highlighted by declining gross margin from 70% in 2020 to 62% in 2023 and operating profit margin from 58% in 2019 to 35% in 2023 (Figure 5). These declines are largely driven by inefficiencies in asset utilization, as PPAP's asset turnover has remained stagnant between 0.14x - 0.15x over the last five years, well below the industry benchmark of 0.32x. Cambodia's TEU volumes grew at a 2.5% CAGR between FY19-23, reaching 1.2 million TEUs in FY23. PPAP handled only 0.4 million TEUs, reflecting the port's inability to capture a larger share of the country's growing trade volumes despite continued investment in additional capacity. These inefficiencies have directly impacted investors return, with ROE falling from 7.6% in 2019 to 4.8% in 2023, trailing the industry benchmark of 8%. Similarly, ROA and ROIC have both declined, indicating reduced efficiency in converting assets into returns.

Figure 6: Financial Highlight	2020A	2021A	2022A	2023A	2024E	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Total Revenue (USD million)	27	30.8	36.4	34.6	35.9	37.4	39.2	41.2	43.7	45.9	48.2	50.1	52.1
Gross Profit Margin	70%	68%	66%	62%	65%	64%	64%	65%	64%	64%	64%	64%	64%
Net Profit Margin	31%	37%	32%	27%	25%	26%	25%	25%	25%	25%	25%	25%	25%
EPS	$0.41	$0.54	$0.57	$0.45	$0.52	$0.53	$0.55	$0.59	$0.64	$0.70	$0.75	$0.80	$0.87
ROE	5%	6%	6%	5%	5%	5%	5%	5%	5%	6%	6%	6%	6%
ROIC	5%	6%	6%	4%	5%	5%	5%	5%	5%	5%	5%	5%	5%

Source: Company Data & Team Analysis

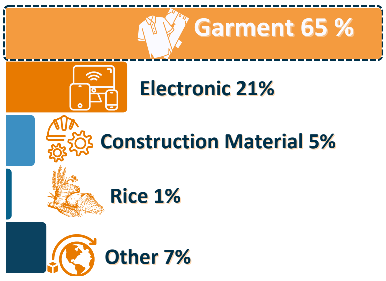
BUSINESS OVERVIEW

Figure 7: PPAP's Major Terminal



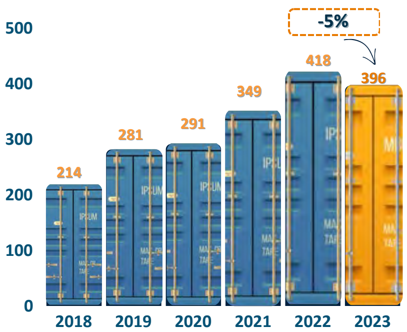
Source: Company Data

Figure 8: PPAP's 2023 Export Breakdown



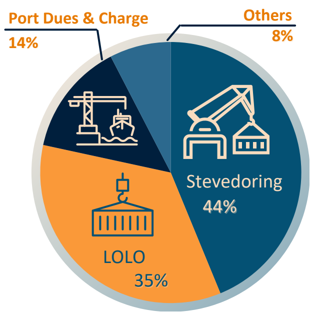
Source: Company Data, Team analysis

Figure 9: PPAP's TEU over the years ('000)



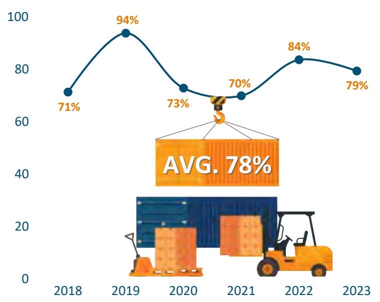
Source: Company Data, Team analysis

Figure 10: PPAP's 2023 Revenue Break Down



Source: Company Data, Team analysis

Figure 11: PPAP's TEU and Capacity Utilization



Source: Company Data

BUSINESS DESCRIPTION

Phnom Penh Autonomous Port (PPAP), established in 1905, holds a crucial position in Cambodia's port infrastructure and global trade linkage. As Cambodia's largest river port operator and one of only two international water access points, PPAP significantly boosts regional connectivity. Operating under the Ministry of Economy and Finance (MEF) and the Ministry of Public Works and Transport (MPWT), PPAP administers the 166 km Port Commercial Zone, spanning key segments of the Tonle Sap river, Bassac river, upper Mekong river, and lower Mekong river—an essential strategic advantage in supporting trade infrastructure. PPAP operates six primary terminals—container terminal LM17, multipurpose terminals TS3, Tonle Bet terminal UM2, sub-feeder multipurpose terminal TS11 and LM 26, and passenger and tourist terminal TS1 (Figure 7 and Appendix B-1). Located strategically in Phnom Penh and integrated with the Special Economic Zone (SEZ), these terminals bolster high-volume export operations, with LM17 playing a pivotal role in container handling to support increasing trade demands. In 2023, PPAP processed 196,307 TEUs of laden export containers, with garment comprising 65% of its volume, reinforcing its position as a key export hub (Figure 8). Meanwhile, laden import containers were only 54,652 TEUs. The 2015 IPO and listing on the Cambodia Securities Exchange (CSX) marked a commitment to transparency and sustainable growth.

PORT SERVICE DESCRIPTION

PPAP has shown substantial TEU growth over the past five years driven largely from the growth in Cambodia exports. However, due to slowing trade flow in Cambodia in 2023, the number of total empty and laden containers handled dropped by 5% from 2022 to merely 396,225 TEUs (Figure 9). PPAP's revenue streams are largely driven by diverse port operations and services (Appendix B-2), reinforcing its integral role in Cambodia's river-based trade and showcasing its broad service portfolio. In 2023, container revenue constituted 84% of the total revenue, highlighting the pivotal role of container services for PPAP business model. While non-container revenue from land and facility rentals, container maintenance and repair, and sand management services, representing 16% of the total revenue. Regarding revenue distribution by services, stevedoring contributed 44%, lift-on/lift-off (LOLO) operations 35%, and port dues 14%. Port dues encompass essential services such as navigation, pilotage, and mooring/unmooring, ensuring efficient vessel transit within the port's jurisdiction. Meanwhile, non-containerized services such as storage, trucking, and gate fees, comprised 8% of revenue, underscoring PPAP's focus on value-added logistics offerings (Figure 10).

STRATEGIC FOCUS OF PPAP

PPAP's cargo handling capacity has expanded steadily, driven by robust exports which contributed directly to the rising export demand (Figure 23). PPAP maintains an average capacity utilization rate of 78% (Figure 11). However, despite ongoing capacity expansions, PPAP faces limitations due to insufficient evaluation infrastructure, hindering its ability to fully leverage added capacity and contributing to suboptimal utilization rates. Here are some of the strategic focus of PPAP :

CAPACITY EXPANSION

Driven by strong economic growth and rising trade volumes, particularly in garment and rice exports and construction material imports, PPAP's container transaction volume has achieved 13% annual growth (CAGR) from 2018 to 2023. To meet escalating demand at the time, PPAP has expanded its container terminal capacity from 150k TEUs in 2013 to 500k TEUs in 2022, with a target to reach 900k TEUs by 2027 (Figure 12). This capacity increase is supported by ongoing plans for a new dry port, alongside expansions at key terminals, notably LM17 (lower Mekong river), through a phased medium- and long-term strategy.

STRATEGIC FOCUS ON THE NORTHEAST REGION

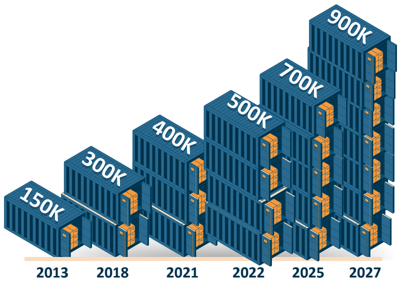
In addition to ongoing expansion at the main container terminal, LM17, PPAP has outlined five other growth projects. Three of these—multipurpose terminals UM1 (upper Mekong river), UM2, and LM26—are strategically positioned to capitalize on agricultural activity in Cambodia's northeastern region along the Mekong River basin, a critical shipping corridor for PPAP. This initiative aligns with the Cambodian government's Northeast Economic Pole strategy, which emphasizes regional development to foster economic connectivity within the Cambodia-Laos-Vietnam triangle through enhanced infrastructure, industrial parks, and economic centers. In 2023, the government allocated approximately $3.85 billion in development funds across Kratie ($1.5 billion), Stung Treng ($1.2 billion), Ratanakiri ($728 million), and Mondulkiri ($431 million), highlighting a sustained commitment to the region's economic integration and growth potential.

FACILITY EXPANSION

PPAP's commitment to enhancing operational capacity is evident through its substantial infrastructure investments in FY23 of $15.3 million, positioning PPAP to capitalize on growth opportunities in the region. Key upgrades at Terminal LM17 include:

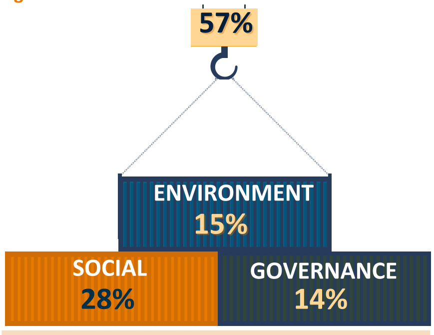
- Construction of new jetty and storage facilities: A new 16m x 149m jetty (third jetty) was constructed, reaching 98% completion. This expansion is set to enhance throughput capacity and support increased trade volumes.

Figure 12: PPAP's TEUs Expansion Plan Timeline



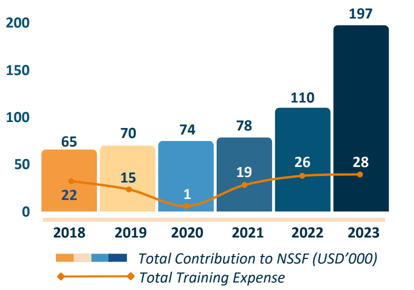
Source: Company Data

Figure 13: PPAP's ESG Scorecard



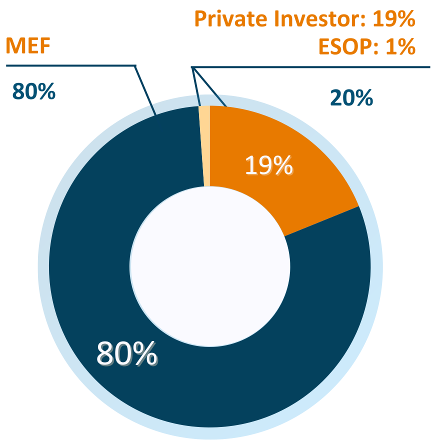
Source: Company data, Team Analysis

Figure 14: PPAP's Total Contribution to NSSF and staffs Training from 2018 - 2023 (USD '000)



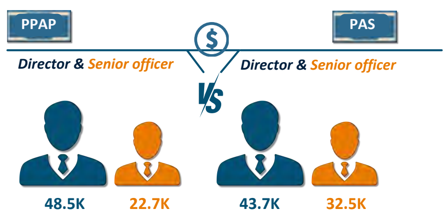
Source: Company Data

Figure 15: PPAP's Class A and B Stock Ownership as at 31 December 2023



Source: Company Data

Figure 16: Directors and Senior officers Average Compensation in 2023, PPAP vs PAS



Source: Company Data

- Reinforced Concrete Flooring and Fencing Upgrades: PPAP added 1,510 and 1,070 square meters of reinforced concrete flooring, along with 91 meters of wire mesh fencing and 55 meters of drainage, improving durability and safety.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE

PPAP received an overall ESG rating of 57% according to the Refinitiv ESG scoring methodology, covering environmental, social, and governance (Figure 13 and Appendix C-1). The company's low scores in environmental and governance metrics stem from insufficient disclosure of environmental initiatives and strategies, complicating accurate assessment. Additionally, governance issues, particularly in board composition, expertise, and questioning decision-making, further weigh down its ESG performance.

ENVIRONMENTAL

SAND DREDGING IN PORT OPERATIONS

Beyond building and expanding port terminals, PPAP has to dredge sand to clear obstacles and maintain adequate water depth for the vessels navigation. However, this process can disrupt the river ecosystem, erode nearby riverbanks, and destroy fish natural habitats.

WASTE MANAGEMENT

In compliance with Cambodia's waterway transportation law, PPAP is required to maintain facilities for ship-generated waste and implement contingency plans for oil spills and hazardous substance releases, mitigating environmental risks to local water sources and communities. The port also collaborates with two external companies to recycle waste generated from its operations.

SUSTAINABLE APPROACH & POLICIES

PPAP aligns with Cambodia's sustainability goals through its Port Safety, Health, and Environmental Management Systems, supported by Japan International Cooperation Agency (JICA), which enforces strict Environmental Impact Assessments (EIAs) and sustainable practices. However, PPAP lacks transparency, with no disclosed data on the implementation of these sustainability initiatives.

Overall, PPAP lacks transparency in disclosing key environmental policies, such as renewable energy use and other essential practices. Limited information on its environmental initiatives and mitigation strategies contributes to a lower environmental score, raising concerns about the company's commitment to environmental responsibility. Hence, achieving 15% out of 30% in Refinitiv scoring.

SOCIAL

WORKPLACE HEALTH & SAFETY

PPAP aims to adheres to labor laws and upholds workplace health and safety standards as outlined in its staff statutes. The company contributes 3% of employees' monthly basic salary to the National Social Security Fund (NSSF), covering medical care for workplace incidents through designated hospitals. Additionally, PPAP supports its workforce with retirement pensions via NSSF and invests in professional development, with directors and senior officers having attended over 40 domestic and international training sessions (Figure 14). PPAP also provided their employees with health insurance, personal protective equipment, and emergency response kits as well.

CSR ACTIVITIES

In 2023, PPAP allocated approximately 8% of its profit amounting to $765,100 to CSR initiatives, benefiting organizations including Kantha Bopha Hospital and the Red Cross. While these efforts may enhance social impact, some investors may raise concerns that the CSR figure in 2023 has doubled the amount of previous years. This increased figure could have been use for reinvestment or shareholder dividends.

PPAP's increased allocation of the profit to CSR activities may raise concerns among shareholders prioritizing financial returns. Despite this, their dividend payout ratio matches PAS (11%), reflecting an alignment with the industry norm. On that account, with its strong commitment to social impact through various CSR initiatives, it contributed to a high score in the ESG scorecard, suggesting the company is operating sustainably within its sector. This led to a score of 28%, contributing to 40% of the total weight.

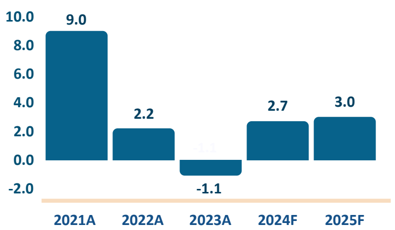
GOVERNANCE

PPAP adheres to corporate governance regulations from the Securities and Exchange Commission of Cambodia (SECC) as per the ministry order for listed public enterprises. To benchmark its practices against international standards, we evaluated PPAP using the CFA governance framework, assessing the board, executive management, shareholder ownership, and remuneration policies.

BOARD OF DIRECTORS

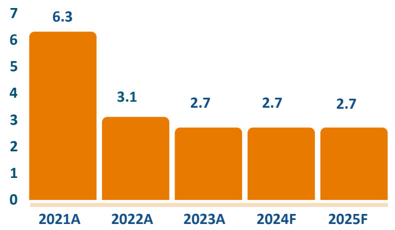
PPAP's board consists of seven members, meeting Cambodian corporate governance requirements, with only two out of seven directors being independent and non-executive. While locally compliant, this composition falls short of international best practices, which advocate for a higher proportion of independent oversight. Additionally, only one of the board members have specific expertise in port operations, which may limit the board's technical capacity.

Figure 17: **Global Merchandise Trade Volume Growth**



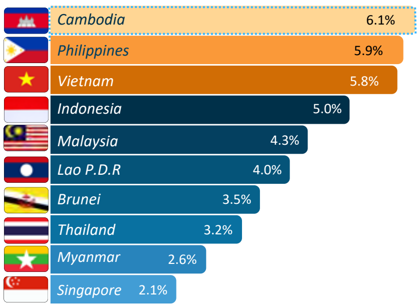
Source: WTO, Team analysis

Figure 18: **Global Real GDP Growth at Market Exchange Rate**



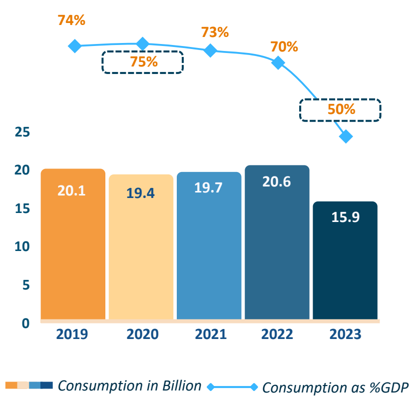
Source: WTO, Team analysis

Figure 19: **Southeast Asia 2024 GDP Growth Estimate**



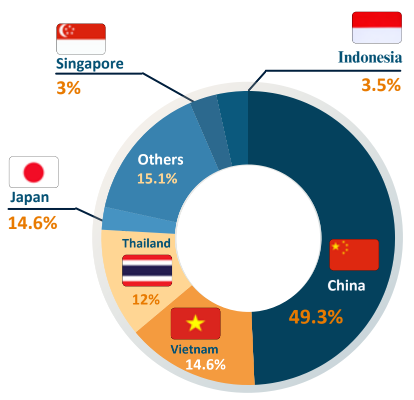
Source: World Bank's WDI, IMF

Figure 20: **Cambodia Consumption 2019-2023**



Source: World Bank

Figure 21: **Cambodia Import Trading Partners in 2024**



Source: Cambodian Custom, Team Analysis

Gender diversity is minimal, with just one female director. Although PPAP has established all four key committees (audit, risk, remuneration, and nomination), the lack of reported activity from the risk committee in 2023 raises concerns about its effectiveness. Enhancing board independence, industry expertise, and diversity would strengthen oversight and bolster investor confidence (Appendix C-2).

The board of directors also made a contentious decision to lease a property worth over $100 million to a Chinese company for just $16.5 million over a 50-year period, which appears to undervalue the asset considerably. While the lease includes agreed structural requirements, it still raises concerns about its alignment with the responsibility to maximize shareholder returns.

SHAREHOLDER OWNERSHIP

PPAP's share structure comprises Class A and Class B (ordinary shares with voting), and Class C (non-voting) shares. Voting shares allow for voting rights, dividend receipts, and liquidation assets. Class C shares, owned by the Ministry of Economy and Finance (MEF), lack voting rights and dividends but have liquidation priority over voting shares. MEF holds 80% of Class A and B shares, with the remainder held by public investors (19%) and through Employee Stock Ownership Plan (ESOP) (1%) (Figure 15). This structure, while ensuring government backing and stability, limits minority shareholder influence.

REMUNERATION AND COMPENSATION

PPAP's remuneration committee has a transparent remuneration structure for directors and senior officers, as outlined in its annual report. In 2023, average compensation for PPAP's directors and senior officers was $48,500 and $22,700, respectively, compared to PAS's averages of $43,700 and $32,500. PPAP's compensation remains competitive within the industry, aligning rewards with long-term performance (Figure 16).

PPAP aligns well with local corporate governance standards but falls short against international best practices as per the CFA governance framework. This is also evidenced by a series of questionable decisions by the board of directors. Consequently, PPAP's governance score on the ESG scorecard is rated as moderate, earning 14% out of 30% (Appendix C-1).

INDUSTRY OVERVIEW AND COMPETITIVE POSITIONING

ECONOMIC OUTLOOK AND TREND

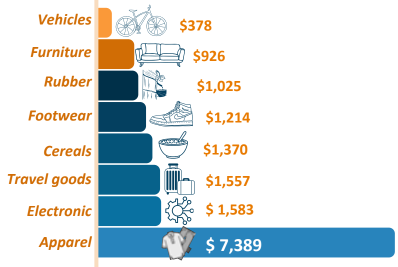
GLOBAL TRADE OUTLOOK AMIDST POLITICAL UNREST AND UNCERTAINTY

PPAP's performance relies on the global merchandise trade and economy, and specifically the North America and China. While North America is PPAP's main export destination, China is its main import partner. The WTO has forecasted the 2024 and 2025 global merchandise trade growth to be 2.7% and 3.0% respectively, after a rough period of -1.1% global merchandise trade growth in 2023 (Figure 17). North America's import growth is estimated to be 3.3% in 2024 and 2.0% in 2025 while China's export was not disclosed individual but has been noted to be the major impactor of Asia's 7.4% and 4.6% export growth in 2024 and 2025 respectively. This upward estimate follows a 2023 global trade contraction due to high inflation and interest rate hikes. However, as inflationary pressures have eased, central banks in advanced economies have lowered rates, which is expected to boost consumption, investment, and global commerce. According to trade projections, global real GDP growth at market exchange rates will average 2.7% from 2023 to 2025 (Figure 18). Asia is forecast to have the leading regional growth of 4.0% for both 2024 and 2025, while North America is expected to rise by 2.4 % in 2024 and merely 1.6% in 2025. Despite this hopeful outlook, regional crises, geopolitical uncertainty, and governmental unpredictability remain risks to the trade forecast. In addition, the risk of a large Middle Eastern conflict would disrupt shipping lines and drive-up oil prices, considering the region's important role in the global petroleum production. As long as these global uncertainties are not settled, PPAP may continue to face slow growth or even decrease in TEU served and revenue, which has already previously experienced in 2023. However, assuming stabilized global conditions and strong demand from major trading partners, the updated trade growth predictions could support PPAP's recovery.

CAMBODIA'S ECONOMIC GROWTH OUTLOOK

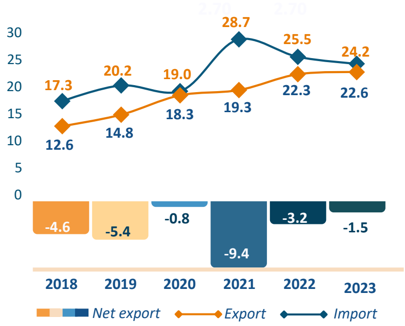
Cambodia, strategically positioned in Southeast Asia, has experienced one of Asia's fastest growth trajectories, with an average GDP growth of approximately 7% over the 15 years preceding the pandemic. Following the pandemic, Cambodia's economy has shown resilience, with GDP growth rebounding to 5.4% in 2023 and projected to reach 6.1% in 2024 (Figure 19). Historically, the economy has been heavily consumption-driven, with consumption accounting for 75% of GDP in 2020. However, this share sharply declined to 50% in 2023 (Figure 20), primarily due to a struggling real estate sector, impacting liquidity, and a reduction in purchasing power as global inflation weighed on domestic consumption. This contraction in consumer spending has directly impacted imports, which fell by 11% in 2022 and another 5% in 2023. However, imports began to recover in 2024, with a notable 15.9% increase in Q3 2024 compared to the same period in 2023, indicating a potential recovery in consumption and purchasing power. Exports also displayed robust growth, increasing by 17% year-on-year in Q3 2024 compared to Q3 2023. Regardless, the increase in domestic consumption may not drastically impact PPAP's revenue since imports make up merely around only 20% of PPAP's revenue and importing through PAS is more commonly used.

Figure 22: Cambodian Major Export as of September 2024 ($'000)



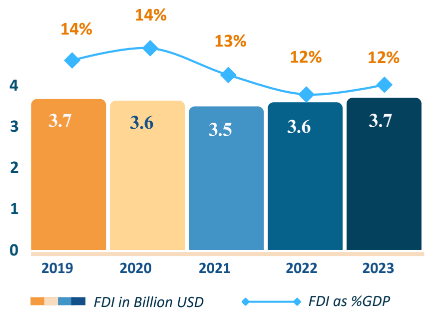
Source: Cambodian Custom, Team Analysis

Figure 23: Cambodia Trades 2018-2023 in Billion



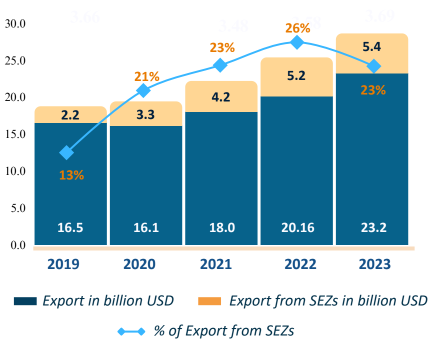
Source: Cambodian Custom, Team Analysis

Figure 24: Cambodia Foreign Direct Investment



Source: World Bank

Figure 25: SEZ Export in Cambodia



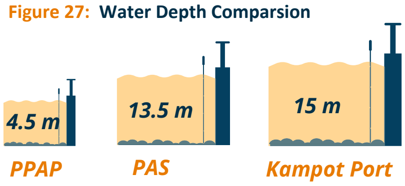
Source: World Bank

Figure 26: Marine Freight Comparison by Countries and Destinations

	To U.S	To Japan	To China
PPAP	$2,980	$843	$745
PAS	$3,278	$928	$819
Cai Mep	$2,760	$702	$602
Leam Chabang	$2,467	$523	$425

Source: JICA Report, Team Analysis

Figure 27: Water Depth Comparsion



Source: Company Data

The growth aspect that will actually impact PPAP positively is the inflow of investment into the central and northern regions of Cambodia, which will create more demand for PPAP's export vessels to Cambodia's key trading partners (Figure 21).

INDUSTRY ANALYSIS AND KEY DRIVERS OF GROWTH

CAMBODIA CAPACITY EXPANSION AND INFRASTRUCTURE DEVELOPMENT

Cambodia's growing population and economic expansion requires logistic providers and transport infrastructure to be advanced and efficient. PAS opened the first phase of its new terminal in the upcoming year, with a 350-meter berth, 14.5-meter draft, and three ship-to-shore gantry cranes, allowing it to compete with regional players on logistical costs by accommodating mainline vessels with this extension. In addition, in Kampot, a $1.5 billion port greenfield project is also on track. The Kampot Port will have deepwater docks on 600 hectares and a Special Economic Zone for warehouses and logistics. The $200 million first phase will have 300,000 TEU capacity and finish by 2025, while up to 600,000 TEU capacity will be completed by 2030. In addition, Cambodia started a $1.7 billion 180- kilometer canal from Phnom Penh to the Gulf of Thailand in August 2024. The canal aims to minimize Cambodia's cargo transit dependence on Vietnamese ports. For its first 21km, PPAP joint investment on the canal with PAS and OCIC at a fraction of 25%, 26%, and 49% respectively. Although a detailed analysis of the canal's impact on PPAP's revenue has not been conducted, the government predicts a total first-year income of $88 million and $570 million by 2050 (Appendix D-1). Additionally, witnessing the success of the Sihanouk Ville Expressway, the Cambodian government began construction of the new Bavet Expressway in first half of 2023, linking directly to Ho Chi Minh City and enhancing trade and travel efficiency between the two major cities. It is expected to complete construction by the end of 2027. Finally, the Cambodian government also recently revealed plans for railway development which comprise eight railway projects with a total investment of $10 billion spanning 2023-2033. These projects are expected to address the current logistics needs of Cambodia and reduce the costs of transportation as a whole. PPAP's current pricing power through its monopoly of river trade will become less significant as more costeffective alternatives appear on the scene and more SEZs and business clusters are built along the coastal area for easier access to seaports.

SIGNIFICANT RECOVERY IN CAMBODIA'S IMPORT AND EXPORT AMID UNCERTAINTY

Cambodia's export portfolio, heavy on textiles, agricultural products, travel goods, electrical machinery, and footwear (Figure 22), recovered strongly in the first nine months of 2024. These are also main export items in PPAP's portfolio. Exports grew at 3 years CAGR of 7% from $18 billion in 2020 to $23 billion in 2023. Petroleum products, garment raw materials, footwear, travel items, cars, machinery, electronics, and consumer goods were major imports. Imports climbed at 3 years CAGR of 8% to $24 billion from $19 billion in 2020 (Figure 23). FDI is recovering, contributing 12.5% to Cambodia's GDP in 2023 (Figure 24). A large portion of the FDIs is from manufacturers established in SEZs due to attractive investment climate with low labor costs, various trade agreements, duty and import tax rate reduction from developed nations, and government incentives including simplified customs, import duty exemptions, corporate income tax holiday, and VAT concessions. In 2022 and 2023, SEZ exports made up 26% and 23% of overall exports, respectively (Figure 25).

INDUSTRY COST STRUCTURE AND BOTTOM LINE

When comparing tariff structures across regional ports, Cambodia's ports offer competitive pricing, especially for laden exports and container repositioning. The lowest tariff on laden exports at PAS is $15, making it one of the most affordable options (Appendix D-2). PPAP charges $45 for exports, similar to mid-tier ports like Laem Chabang, Thailand, and PSA International, Singapore. For empty container repositioning, PAS stands out with its zero-cost tariff, whereas PPAP charges $23 for empty exports, higher than South Van Phong and Hai Phong, but less than Thailand and Malaysia. Regarding imports, PAS's mid-range heavy import tariff is $57, while PPAP's $45 tariff is cheaper than Thailand and Singapore. However, to give a more wholistic view, we make a comparison on total transportation cost by destination from PPAP, PAS, Cai Mep and Leam Chabang. The cost is derived by compounding an annual 3% inflation rate on the data from the 2016 JICA report. The result shows that regardless of a competitive tariff pricing structure, PPAP inherently stand at disadvantage compared to PAS, Cai Mep and Leam Chabang, which may be due to its geographical and capacity limitations that requires PPAP to transit its cargoes at least one time at larger ports before going to its final destination (Figure 26). On average, PPAP is 10% more expensive than PAS, 25% more expensive than Cai Mep, and 54% more expensive than Leam Chabang.

COMPETITIVE DISADVANTAGE OF PPAP: THE RISE OF DEEP-SEA PORTS

PPAP is increasingly losing its competitive edge due to mounting pressure from deep-sea ports, particularly PAS and the newly established Kampot Port. These ports offer significantly greater capacity, lower costs, and superior connectivity—factors that are critical in determining long-term viability in the maritime logistics sector. As a river port, PPAP faces inherent infrastructure limitations, with a shallower water depth of just 4.5–5.5 meters, restricting it to smaller vessels. In contrast, PAS accommodates vessels with depths of up to 13.5 meters, while Kampot Port, boasting a 15-meter depth, can handle even larger ships (Figure 27). The ability to accommodate larger vessels translates directly into lower shipping costs and enhanced global access—areas where PPAP is falling behind.

Figure 28: Lead Time Comparision (Days)

	To U.S	To East Asia
PPAP	28	16
PAS	26	14
Cai Mep	25	14
Leam Chabang	25	14

Source: JICA Report, Team Analysis

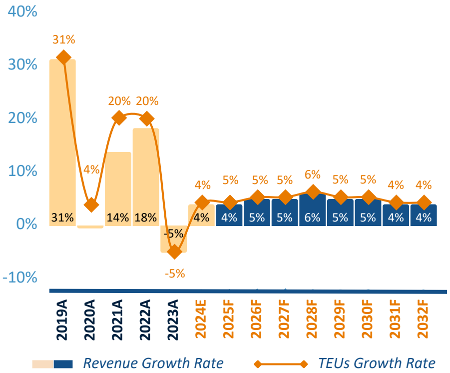
Beyond infrastructure constraints, PPAP is becoming increasingly uncompetitive due to higher costs (Figure 26) and longer lead times (Figure 28). Its reliance on transshipment through Vietnam (Cai Mep) results in transit times that are two days longer than PAS, which offers direct maritime access. This inefficiency is further reflected in industry sentiment—90% of surveyed logistics professionals prefer PAS due to its lower costs, superior service quality, and greater warehouse capacity (Appendix-F). Moreover, Cambodia's expanding road and rail networks are making it easier for exporters to bypass PPAP in favor of faster and more cost-effective deep-sea alternatives. With its market share currently at 33% and expected to decline further, PPAP is losing ground to PAS and the strategically positioned Kampot Port. PPAP's structural disadvantages, rising costs, and intensifying competition reinforce the shift towards deep-sea ports as the preferred choice for Cambodia's maritime trade. Given these persistent challenges and the likelihood of continued market share erosion, as the company faces significant headwinds that could limit future growth potential.

FINANCIAL ANALYSIS

Table 1: Financial Ratios	2019A	2020A	2021A	2022A	2023A	Ind. Avg. 2023	2024E	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Return Ratios															
Return on Equity	8%	6%	7%	8%	5%	8%	5%	5%	5%	5%	5%	6%	6%	6%	6%
Return on Invested Capital	7%	5%	7%	7%	4%	6%	5%	5%	5%	5%	5%	5%	5%	5%	5%
Return on Assets	6%	5%	6%	6%	4%	6%	4%	4%	4%	4%	4%	5%	5%	5%	5%
Profitability Ratios															
Gross Margin	68%	70%	68%	66%	62%	66%	65%	64%	64%	65%	64%	64%	64%	64%	64%
Operating Margin	58%	51%	55%	50%	35%	27%	40%	39%	39%	39%	39%	39%	39%	39%	39%
Net Margin	42%	36%	41%	40%	27%	15%	30%	29%	29%	29%	30%	32%	32%	33%	35%
Leverage Ratios															
Debt-to-Equity ratio	18%	16%	16%	16%	15%	36%	14%	13%	12%	11%	10%	9%	8%	7%	6%
Debt to EBITDA	147%	156%	136%	139%	176%	190%	145%	139%	127%	114%	102%	97%	88%	78%	70%
Liquidity Ratios															
Current ratio	4.17	3.86	3.36	1.85	1.44	1.22	1.27	0.87	0.93	1.71	2.94	3.23	4.12	5.68	7.27
Efficiency Ratios															
Asset turnover ratio	0.14	0.13	0.14	0.15	0.14	0.32	0.14	0.14	0.14	0.14	0.14	0.14	0.15	0.14	0.14
Sales-to-capital ratio	0.15	0.14	0.15	0.17	0.15	0.20	0.15	0.15	0.16	0.16	0.16	0.16	0.16	0.16	0.16
Account receivables days	93	145	61	78	5	26	27	30	32	27	26	26	24	23	22
Account payables days	142	139	89	81	84	102	92	88	85	84	81	79	77	76	75
Investor Ratio															
Dividend payout ratio	8%	10%	8%	7%	12%	12%	10%	9%	9%	9%	9%	9%	9%	9%	9%

Source: Company Data & Team Analysis

Figure 29: PPAP TEUs Growth VS Revenue Growth 2021A-2032F

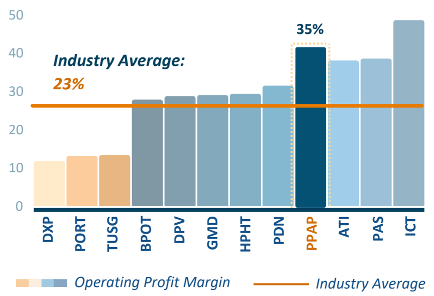


Source: Company Data, Team Analysis

RIDING THE TRADE WAVES AMID VOLATILITY

The past six years' TEUs and revenue trends for PPAP show growth and volatility (Figure 29). TEUs and revenue climbed 31% each from 2018 to 2019, due to economic growth, higher trade volumes, and strong regional demand for Cambodian garment and agricultural goods. Infrastructure improvements and logistical efficiency further boosted their performance. In 2020, TEUs volume rose 3.6%, but revenue fell 0.5% as the COVID-19 pandemic disrupted global trade, lowering export demand. Recovery between 2021 and 2022 saw income increase 18.3% and TEUs volumes increase 20%, supported by enhanced container-handling capacity. However, in 2023, revenue and TEUs volume dropped 5.3%, impacted by slower global growth, inflation-driven consumption reduction, rising interest rates, and competition from PAS and other regional ports. Looking ahead, annual revenue and TEUs growth of 4%-6% are projected, based on TEU projection using historical pattern while also taking into account other factors including Cambodia's GDP growth, recovery in export demand, Special Economic Zone (SEZ) policies, trade relations, and geopolitical shifts, especially the US-China trade policies. Despite challenges, PPAP is positioned for steady medium-term growth.

Figure 30: PPAP's Operating Profit Margin VS Industry Average, 2023

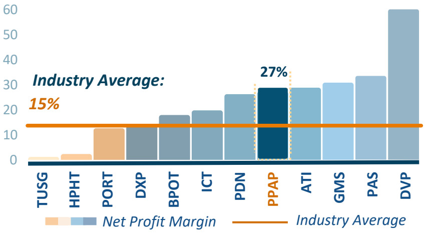


Source: Company Data, Team Analysis

MARGIN COMPRESSION AMID COST PRESSURES

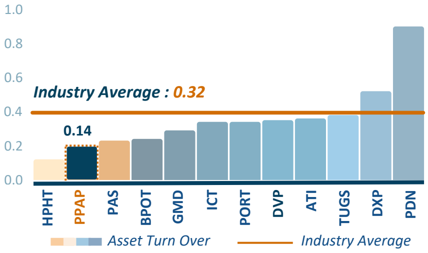
Historical PPAP's profitability ratios reveal a consistent downward trend, with gross margin declining from 70% in 2020 to 62% in 2023 (Table 1), slightly below the industry average of 66%. With an expectation of increasing cost of service, gross margin is expected to decrease slightly over the next 9 years. Operating margin followed a similar trajectory, dropping from 51% in 2020 to 35% in 2023, but remains above the industry benchmark of 23% (Figure 30). With trade recovery, the ratio is estimated to be around 40% until 2032. Net margin also fell significantly, with net margin declining from 37% in 2020 to 27% in 2023, albeit still outperforming the industry average of 15% (Figure 31), and is projected to pick up from 30% in 2024 to 35% in 2032 due to increasing finance income from utilizing excess cash. In short, PPAP's performance remains strong compared to peers. Fixed costs, such as labor and facility maintenance, remained relatively stable even as TEU volumes and revenues declined in 2023. The contraction in trade volumes prevented PPAP from fully utilizing its expanded capacity, leading to suboptimal economies of scale and eroding profitability.

Figure 31: **PPAP's Net Profit Margin VS Industry Average, 2023**



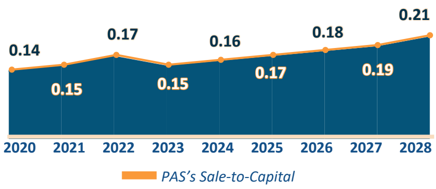
Source: Company Data, Team Analysis

Figure 32: **PPAP's Asset Turnover VS Industry Average, 2023**



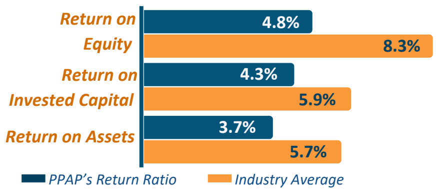
Source: Company Data, Team Analysis

Figure 33: **PPAP's Sale-to-Capital, 2020A-2028F**



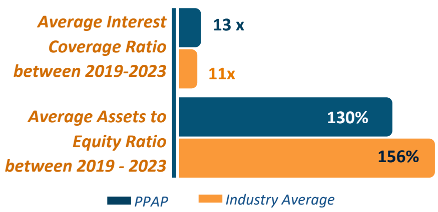
Source: Company Data, Team Analysis

Figure 34: **PPAP' Return Ratio VS Industry Average 2023**



Source: Company Data, Team Analysis

Figure 35: **PPAP VS Industry Average Interest Coverage Ratio, 2019 - 2023**



Source: Company Data, Team Analysis

Figure 36: **Cost of Equity Inputs**

Input	Rate	Source
US Risk Free Rate	3.7%	Weighted average btw Spot rate & 5-year average of US 10y Treasury Bond (Capital IQ)
US Equity Risk Premium	4.3%	Damodaran estimates of US equity risk premiums Jan 2025
Cambodia Country Risk	7.3%	Damodaran estimates of country risk premiums Jan 2025
Industry Unlevered Beta (Asset Beta)	1.05	Derived from Developed Market peers' group, average of 2-year & 5-year betas (Damodaran data)
PPAP levered Beta (Equity beta)	1.18	Bottom up relevered beta: Industry unlevered beta*(1+ (1-tax rate)(D/E))
Cost of Equity (Ke)	16.15%	***Risk-free rate + Beta * Market Risk Premium + Country Default Risk Premium***

Source: Team Analysis

UNDERUTILIZED ASSETS BUT IMPROVED LIQUIDITY MANAGEMENT

PPAP's efficiency ratios paint a mixed picture. The asset turnover ratio and sales-to-capital ratio remained stagnant at 0.14–0.15 and 0.14–0.17, respectively, significantly lagging behind industry averages of 0.32 (Figure 32 & 33). These figures highlight inefficiencies in utilizing the port's asset base to generate revenue, especially during periods of declining TEU volumes and underutilized infrastructure. On the other hand, PPAP demonstrated significant improvements in liquidity management and stronger cash collection practices. Current ratio is expected to increase from 1.27x in 2024 to 7.27x in 2032 as excess cash drastically increases by 900% when total current liabilities only increase by 24%. Account receivables days improved drastically from 145 days in 2020 to 5 days in 2023 (Table 1), well below the industry average of 83 days.

CONSTRAINED ON THE IMPROVEMENT OF PERFORMANCE AMID MACROECONOMIC CHALLENGES

PPAP's return ratios have steadily declined, with ROE falling from 8% in 2019 to 5% in 2023 (Table 1), significantly underperforming the industry average of 8% (Figure 34). Similarly, ROA dropped from 6% to 4% (Table 1), trailing the industry benchmark of 6% (Figure 34). ROIC, a critical measure of capital efficiency, also declined from 7% to 4% (Table 1), underscoring inefficiencies in converting investments into returns. Both ROE and ROIC are below investors' minimum required return with cost of equity standing at 16.2% and WACC at 15.1%. These declines are tied to a combination of reduced profitability and the inability to fully capitalize on infrastructure expansions. The COVID-19 pandemic in 2020 disrupted global trade, leading to reduced TEU volumes and revenue, which weighed heavily on returns. Although there was some recovery in 2021 and 2022 as trade resumed, the momentum was short-lived due to inflationary pressures, rising interest rates, and competition from PAS (Sihanoukville), and other regional ports in Singapore, Thailand and Vietnam. These factors diluted PPAP's capacity to generate returns in line with industry standards and in meeting investor's minimum required return.

The interplay of return, profitability, and efficiency ratios illustrates PPAP's financial story. Declining return ratios stem from reduced profitability, driven by margin compression and asset underutilization. Profitability challenges, in turn, are linked to rising operational costs and competition, which limit the port's ability to leverage its expanded infrastructure. Efficiency ratios further emphasize the strain on asset utilization, though improved receivables and payables management offer a silver lining in liquidity optimization.

OPTIMIZING FINANCIAL LEVERAGE FOR ENHANCED RETURNS

PPAP exhibits an under-leveraged financial structure, signaling potential opportunities to enhance shareholder returns through increased debt utilization. Over the past five years, the management of PPAP has adopted a highly conservative approach to operations and expansion, resulting in a debt-to-equity (D/E) ratio of 15% in 2023, significantly below the industry average of 36% (Table 1). Key financial metrics highlight PPAP's robust financial position and capacity to leverage debt more effectively. Between 2019-23, the company maintained an average interest coverage ratio of 13x, surpassing the industry average of 11x, reflecting strong earnings stability relative to its interest obligations (Figure 35). According to the result of the Altman Z-score analysis, PPAP scored 2.50 indicating a moderate risk of default in the future (Appendix G-7). Despite this strong financial foundation, current and planned developments reflect a mixed funding strategy of the six ongoing and planned projects, three are financed entirely through the company's development fund, while the remaining three utilize a combination of internal and external funding sources. This strategic choice raises questions regarding management's willingness to capitalize on its under-leveraged position to boost returns and optimize financial leverage. Management's cautious stance, while ensuring financial stability, may represent a missed opportunity to enhance shareholder value through judicious debt financing. A recalibration of the company's financial strategy, including a more aggressive yet controlled approach to leveraging, could unlock additional growth potential, improve return metrics, and increase the company's attractiveness to investors.

VALUATION ANALYSIS

INVESTMENT THESIS

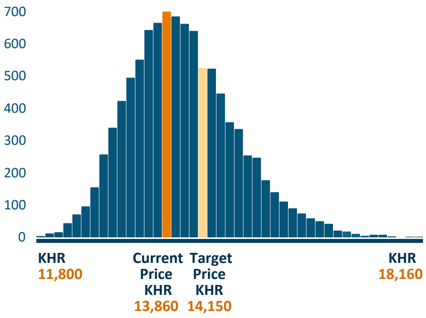
We issue a HOLD recommendation on PPAP with a one-year target price of KHR 14,150, implying a 2% upside risk from the closing price of KHR 13,860 as of January 29, 2025. This valuation is derived using a discounted cash flow (DCF) model based on free cash flow to equity (FCFE), employing a two-stage growth framework. In the first stage, we project a nine-year forecast spanning FY24–FY32, followed by a second stage incorporating a terminal growth rate of 4.12%. We attribute the hold recommendation for PPAP to several key factors: (1) Intensifying competition, driven by the expansion of deep seaports and enhanced hinterland connectivity (via road and rail networks), which increases competitive pressure; (2) Weak corporate governance practices, misaligned with shareholder wealth maximization objectives; and (3) Declining return from reduced profitability and inefficiencies in asset utilization. To validate the robustness of our DCF model and account for the investment risks detailed in the following sections, we conducted both a sensitivity analysis and a Monte Carlo simulation. Additionally, our findings are corroborated by a relative valuation, further reinforcing our HOLD recommendation.

Figure 37: **TERMINAL GROWTH RATE**

Variable	Avg. 2024-2028	Weight	Source
GDP Growth	6.02%	40%	IMF and ADB Forecast
Export Growth	2.86%	60%	IMF and ADB Forecast
Terminal Growth Rate	4.12%		***Weighted average***

Source: Team Analysis

Figure 39: **Monte Carlo Simulation**



Source: Team Analysis

Figure 40: **Monte Carlos Parameters**

Parameters	Values
Trials	10,000
Average target price	KHR 14,240
St. Dev.	KHR 800
Median Target price	KHR 14,160
Max target price	KHR 18,480
Min target price	KHR 12,000
Skewness	KHR 2,320
Kurtosis	KHR 2,320
Probability of downside	**36%**
Probability of Hold	**62%**
Probability of upside	**2%**

Source: Team Analysis

Figure 41: **Intrinsic value per share (KHR) based on Bull & Bear Analysis**

Bull	Base	Bear
KHR 18,003 Upside 30%	KHR 14,150 Upside risk 2%	KHR 9,521 Downside 31%
1). TEU growth rate increase by 1% 2). COS and Operating expense decrease by 4% 3). Changes in tariffs charge is 0%		1). TEU growth rate decrease by 1% 2). COS and Operating expense increase by 4% 3). Tariffs charge decrease by 1%

Source: Team Analysis

Figure 42: **Relative Valuation Input**

Price - Earning Ratio (P/E)	
Industry Median	5.07x
Number of Shares	20,684,365
Relative Value	KHR 12,211
PPAP Price (20/12/2025)	KHR 13,440
Downside	**-9.14%**
Recommendation	**HOLD**

DISCOUNTED CASH FLOW VALUATION

The Discounted Cash Flow (DCF) model serves as our primary valuation method as it provides a robust framework for determining the company's intrinsic value. The model accounts for future cash flows available to investors, incorporates opportunity costs, and adjusts for firm-specific risks through discounting. We selected Free Cash Flow to Equity (FCFE) as the cash flow metric for our DCF analysis because of PPAP's historically stable capital structure, characterized by a low debt-to-equity ratio even amidst its expansion initiatives. Additionally, this approach allows us to capture the potential premiums from the expansion strategy and synergies expected from the multi-purpose terminals under Phase 2 and Phase 3 developments. Our DCF model is grounded in the following key assumptions:

COST OF EQUITY

To estimate PPAP's cost of equity (Ke), we employ a Modified Capital Asset Pricing Model (CAPM), incorporating the risk-free rate and market risk premium from an advanced market (United States). Due to the limited liquidity of the Cambodia Securities Exchange (CSX), we cannot apply a regression beta for PPAP. Instead, we used the average of 2-year and 5-year betas of port-operator based on data from Aswath Damodaran. The derived unlevered beta was then re-levered to account for PPAP's book-value debt-to-equity ratio (D/E) of 15% as of 2023. Incorporating Aswath Damodaran's Country Risk Premium (CRP) of 7.3% for Cambodia (relative to the US) and U.S. Equity Risk Premium (ERP) of 4.3% (effective Jan 5, 2024), we estimate PPAP's Ke at 16.15% (Figure 36).This rate reflects the combined risks of operation as a port and the company's specific financial structure.

TERMINAL GROWTH RATE INPUTS

The terminal growth rate of 4.12%, effective post-2032, is derived from a weighted average of key macroeconomic indicators, including Cambodia's projected average GDP growth rate, inflation rate for the 2024–2032 period. These indicators were selected as proxies can provides a stable, data driven approach for estimating PPAP's long term growth trajectory in our valuation (Figure 37). PPAP's revenue is closely linked to Cambodia's trade and economic activities, making GDP growth a relevant indicators of future expansion. As GDP grows, import and export volumes increase, directly impacting PPAP's throughput and revenue. At the meantime, inflation can affects port tariffs, logistics costs, and overall pricing power, ensuring revenue keeps pace with the rising costs. A weighted approach (60% inflation, 40% GDP growth) reflects how PPAP adjust fees and contracts in response to inflationary pressures.

SENSITIVITY ANALYSIS

We have identified the cost of equity (Ke) and the terminal growth rate as the key variables influencing our target price. To assess the impact of changes in these variables on our recommendation, we conducted a sensitivity analysis. For our recommendation to shift from HOLD to BUY, one of the following scenarios would need to occur (assuming a single-variable adjustment): (1) The Ke would need to decrease by 200 basis points (bps) to 14.15% or lower. (2) The terminal growth rate would need to increase by 200 bps to 6.12% or higher. These adjustments represent smaller deviations from current estimates, underscoring the robustness of our HOLD recommendation. The sensitivity analysis results reinforce our view that PPAP is at the edge of BUY or SELL recommendation under reasonable assumptions (Figure 38).

Figure 38: **SENSITIVITY ANALYSIS**

Terminal Growth Rate	Cost of Equity						
KHR	10.15%	12.15%	14.15%	16.15%	18.15%	20.15%	22.15%
1.12%	25,350	19,275	15,202	12,316	10,186	8,565	7,301
2.12%	27,673	20,594	16,010	12,839	10,538	8,810	7,476
3.12%	30,658	22,205	16,965	13,442	10,937	9,084	7,669
4.12%	34,633	24,217	18,110	14,145	11,393	9,392	7,884
5.12%	40,188	26,801	19,508	14,975	11,919	9,741	8,124
6.12%	48,499	30,243	21,255	15,972	12,533	10,139	8,394
7.12%	62,297	35,053	23,498	17,189	13,257	10,599	8,699

Terminal Growth Rate	Cost of Equity						
Risk	10.15%	12.15%	14.15%	16.15%	18.15%	20.15%	22.15%
1.12%	89.9%	39.1%	9.7%	-11.1%	-26.5%	-38.2%	-47.3%
2.12%	99.7%	48.6%	15.5%	-7.4%	-24.0%	-36.4%	-46.1%
3.12%	121.2%	60.2%	22.4%	-3.0%	-21.1%	-34.5%	-44.7%
4.12%	149.9%	74.7%	30.7%	2.1%	-17.8%	-32.2%	-43.1%
5.12%	190.0%	93.4%	40.8%	8.1%	14%	-29.7%	-41.4%
6.12%	249.9%	118.2%	53.4%	15.2%	-9.6%	-26.8%	-39.4%
7.12%	349.5%	152.9%	69.5%	24.0%	-4.4%	-23.5%	-37.2%

Source: Team Analysis

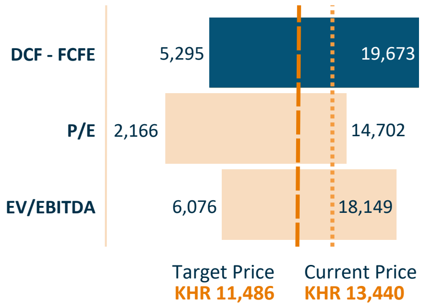
MONTE CARLO ANALYSIS

To account for the inherent uncertainty and variability in PPAP's share price trajectory, we performed a Monte Carlo simulation with 10,000 iterations, systematically adjusting key input variables (Figure 39). This method offers a comprehensive perspective on potential valuation outcomes across a range of scenarios. The simulation incorporates variability in the following critical factors: (1) Terminal growth rate; (2) Cost of equity (Ke); (3) TEU growth rates; and (4) Cost of services (COS). Our analysis revealed that there is an 36% probability that the target price will show a downside risk and 2% upside risk. Conversely, the likelihood of the target price supporting the hold recommendation is 62% (Figure 40). This probabilistic assessment provides clarity on the range of potential outcomes and underscores the validity of our HOLD recommendation, given the volatility of cost and revenue drivers.

EV/EBITDA	
Industry Median	3.32x
Enterprise Value (KHR billion)	316
Net Debt (KHR billion)	38
Relative Value	KHR 12,448
PPAP Price (20/12/2025)	KHR 13,440
Downside	**-7.38%**
Recommendation	**HOLD**

Source: Team Analysis

Figure 43: Football Field Price Projection



Source: Team Analysis

BULL AND BEAR ANALYSIS

The bear and bull analysis that we use to acquire the target price based on better or worse cases of key variables that affects the operation, further support our decision to sell. For the bull case, we increase the TEU growth rate by 1% on top of the base case growth rate, decrease the COS-to-Revenue and Operating expense-to-Revenue by 4%, and no chnages in tariff charge annually. While for the bear case, we decrease the TEU growth rate by 1% on top of the base case growth rate, increase the COS-to-Revenue and Operating expense-to-Revenue by 4%, and decrease tariff charge by 1% annually. The Bull case exhibits a 30% upside risk at the share price of KHR 18,003; while, the bear case shows a 31% downside risk at KHR 9,521 (Figure 41).

SUPPORTIVE VALUATION METHODS

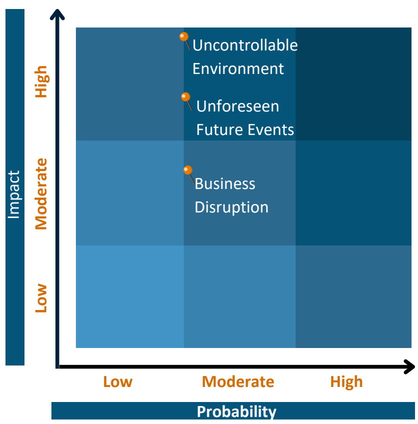
To validate and reinforce the robustness of our recommendation, we have incorporated additional valuation methodologies, which is the Relative Valuation Approach. While secondary to our intrinsic valuation, these methods provide complementary insights into PPAP's valuation and substantiate our HOLD recommendation (Figure 42).

RELATIVE VALUATION

To validate our recommendation, we conducted a relative valuation using the Price-to-Earnings Ratio (PER) and Enterprise-Value-to-EBITDA Ratio (EV/EBITDA). This approach benchmarks PPAP against similar major and regional listed companies with comparable business characteristics and risk exposure. However, the application of a relative multiple valuation for PPAP presents notable challenges: (1) Limited comparability due to only two publicly listed port service company in Cambodia. (2) Differences in economic environment, financing structures, shareholder composition, and local regulatory frameworks further diminish the reliability of this method. Despite these limitations, a peer comparison of PER and EV/EBITDA using TTM(Trailing 12 months) data suggests a relative equity value of KHR 12,211 and 12,448, implying a 9.14% and 7.38% downside risk from the closing price of KHR 13,440 as of December 20, 2024, respectively. The minimums and maximums of each multiple were chosen while ignoring the outliers to complete the ranges. This method supports and reinforces our HOLD recommendation with minimal downsides. While secondary to our intrinsic valuation framework, these methods provide additional support for our HOLD recommendation by highlighting that the majority of the downside has already been allocated to PPAP's price. (Figure 43)

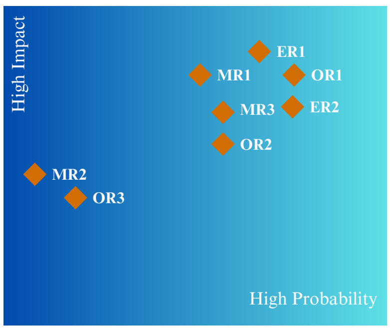
INVESTMENT RISK

Figure 44: Investment Risk Matrix



Source: Company Data, Team Analysis

Figure 45 : Risk Heat Map: Managing Key Risks for a Stronger Port



Source: Company Data, Team Analysis

In the case of PPAP, our team analysis takes into account a number of critical risk factors that may affect the company's financial outlook, operational stability, and long-term growth potential. The investment risk associated with PPAP is significantly influenced by the uncertainty surrounding the Funan Techo Canal project and the implication of US trade policies on Southeast Asian countries. Additionally, governance risks related to board composition suggest that the interests of minority private shareholders may not be a primary priority.

OPERATIONAL RISK | BUSINESS DISRUPTION

Probability: Moderate | Impact: Moderate

OR1 - GOVERNANCE RISK

PPAP faces governance risks due to its board structure and decision-making practices. While compliant with the Cambodian Corporate Governance Code, the company's approach may fall short of prioritizing shareholder interests. Key concerns include: (1) Board Duality: The Chairman and CEO roles are held by the same individual, raising questions about objectivity and independence. (2) Profit Allocation: Allocating 5% of profits to CSR activities, instead of higher dividends, may deter investors focused on returns.

Mitigation: To address these issues, PPAP should adopt international best practices, including (1)Board Restructuring: Separate the roles of Chairman and CEO for greater accountability and hire consultants with international port experiences. (2)Transparency: Publish a governance roadmap aligned with shareholder interests. (3) Profit Allocation: Balance CSR efforts with improved shareholder returns. These measures would enhance governance, reduce risks, and improve market perception.

OR2 - TECHNICAL KNOW-HOW RISK

As Cambodia's largest river port, PPAP faces significant technical know-how risks inherent to the port industry, including challenges in expertise, technology, and operational efficiency required to manage complex systems and infrastructure. A key concern is PPAP's inefficiency in utilizing its assets to generate revenue. In FY2023, its asset turnover ratio was 0.14, significantly below the industry average of 0.32, highlighting suboptimal operational performance. Additionally, there are gaps in the technical expertise and skills of both management and the workforce, which are critical drivers of operational efficiency.

Mitigation: To address these issues, PPAP should: (1)Upgrade Technology and Infrastructure: Modernize systems and practices to meet regional and international standards. (2) Invest in Workforce Development: Implement robust training programs and enhance recruitment to build a more technically proficient team.

(3)Enhance Operational Practices: Focus on improving asset utilization and operational workflows to drive efficiency. These initiatives will strengthen PPAP's operational capabilities and enhance its competitiveness in the industry.

OR3 - POLITICAL PATRONAGE

PPAP, alongside PAS, holds a 51% stake in the first 21 kilometers of the Funan Techo Canal Port. While PPAP is majority state-owned, its public listing imposes a duty to uphold the public interest. However, management has admitted that the investment in the Funan Techo Canal was made based on speculation and with insufficient due diligence, highlighting the influence of political patronage. This suggests that the decision prioritized political objectives over economic rationale, potentially compromising governance standards and harming minority shareholders by failing to adequately assess investment returns.

Mitigation: To mitigate political patronage risks, PPAP should: (1) Strengthen Governance: Adopt best practices to ensure investment decisions align with economic priorities. (2) Enhance Risk Oversight: Establish a robust risk committee within the board of directors to conduct thorough risk assessments. (3) Transparent Investment Evaluation: Perform rigorous appraisals, including Payback Period and Net Present Value (NPV) analysis, for all significant investments. (4) Improve Transparency: Ensure timely and clear disclosure of investment rationales to minority shareholders.

MARKET RISK | DEPENDENCE ON DOMESTIC AND REGIONAL STAKEHOLDERS

Probability: Moderate | Impact: High

MR1: DEPENDENCE ON COASTAL PORTS FOR ITS SUSTAINABILITY AND OPERATIONS

PPAP operates across 166 kilometers of river networks but relies heavily on Vietnam's Cai Mep and Cat Lai ports for cargo transfers due to shallow river depths. These ports prioritize Vietnam's domestic trade during peak seasons, causing delays for Cambodian cargo and exposing PPAP to economic and geopolitical risks tied to Vietnam. This dependency increases logistics costs and reduces Cambodia's competitiveness in attracting manufacturing investments, limiting PPAP's growth prospects.

Mitigation: PPAP is taking steps to reduce reliance on Vietnamese ports, including: (1)Funan Techo Canal Project: 4.5m Depth: Offers moderate benefits through alternative trade routes. 7.5m Depth: Provides significant advantages, including cost savings, reduced transit times, and direct access to regional ports (e.g., Singapore, Malaysia). (2)Hiep Phuoc Terminal Partnership: Early results indicate shorter logistics times and reduced costs as a viable alternative. (3)MOU with SNP: Signed in late 2023, it enables potential collaboration with 13 additional ports under SNP. While reliance on Vietnamese ports poses risks, PPAP's strategic initiatives—particularly the Funan Techo Canal at a 7.5m depth—could reduce dependency, enhance operational efficiency, and unlock new growth opportunities.

MR2: INCREASING COMPETITIONS WITH ALTERNATIVE LOGISTIC OPTIONS

Cambodian traders now have more logistics options, including PAS, the upcoming Kampot International Port, railways, and truck freight for low-volume trade with Thailand, Vietnam, and China. As infrastructure improves, competitors are reducing costs and enhancing efficiency, pressuring PPAP to adapt and remain competitive.

Mitigation: PPAP can address competition by: (1)Unique Value Proposition: Focus on agriculture and agro-processing in regions without coastal port access. (2)Specialized Services: Provide handling for environmentally sensitive goods like mines and bio-chemicals. (3)SEZ Proximity: Expand near SEZs or business clusters to leverage trade concentration. (4)Technology Adoption: Streamline operations and reduce costs with advanced technologies. These measures will strengthen PPAP's position in the evolving logistics landscape.

MR3: OIL PRICE FLUCTUATION AS A SENSITIVE COST AFFECTING THE COMPANY'S GROSS PROFIT MARGIN

PPAP's profitability is highly sensitive to oil price fluctuations, as fuel and gasoline expenses account for 11.5% of Total COS and Operating Expenses and 6.5% of COS. The company's reliance on fuel-powered machinery, tugboats, and vehicles exacerbates this risk. A -50% to +50% change in fuel costs would cause fuel expenses as a percentage of Total COS and Operating Expenses to range from 3.4% to 9.1%, and as a percentage of COS, from 6.1% to 16.2%.

Mitigation: PPAP can manage this risk by: (1)Adopting Technology: Enhance efficiency through advanced machinery and digitalization. (2)Oil Price Hedging: Lock in fuel prices for the foreseeable future to mitigate the impact of price volatility. These measures will help stabilize costs and protect gross profit margins.

EVENT RISK: UNFORESEEN FUTURE EVENTS IMPACT

Probability: Moderate | Impact: High

ER 1: FUNAN TECHO CANAL

PPAP management has expressed optimism about the potential benefits of the Funan Techo Canal. However, we remain cautious regarding its impact on PPAP over the next five years, given the project's early stage and uncertainty around critical factors, such as the canal's depth and overall feasibility. These uncertainties cast doubt on the infrastructure's near-term ability to significantly benefit PPAP's operations.

Mitigation: PPAP should leverage its relationships with state entities to gain greater clarity on the project's specifics. A more comprehensive understanding would enable management to better align investments and strategies with the canal's development timeline and capabilities.

ER 2: TRUMP PRESIDENCY

The return of Trump to the U.S. presidency raises uncertainty over U.S. trade policy, particularly regarding its trade deficit and efforts to reshore manufacturing. During his first term, tariffs on Chinese goods led to a production shift to Southeast Asia, benefiting Cambodia. Exports of solar panels and electronics to the U.S. surged from $0.3 billion in 2020 to $2.8 billion in 2023. However, this momentum is at risk due to the implementation of region-wide tariffs on Southeast Asian products. This policy shift could significantly reduce Cambodia's trade flow to the U.S., posing a threat to PPAP's top-line growth.

Mitigation: PPAP management is partially mitigating this risk by diversifying operations, focusing on untapped opportunities such as the Northeastern agriculture zone and tourism-related expansions, aiming to offset potential declines in trade flow.

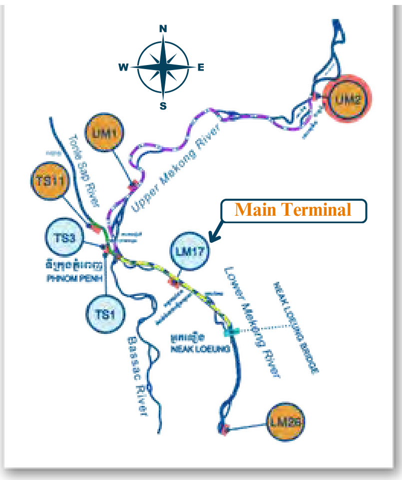
LIST OF APPENDICES

APPENDIX A-GLOSSARY OF SHIPPING TERM

Berth	A designated docking spot where ships can safely park and conduct loading or unloading operations.	**Moor**	To secure a vessel to the dock using ropes or similar fastening methods.
Bulk Cargo	Unpackaged materials (either solid or liquid) that are poured, dumped, or pumped directly into a ship's storage area, such as grain or oil.	**Stevedoring charges**	The costs associated with loading and unloading cargo from ships.
Container terminal	A specialized facility where shipping containers are processed, stored, and transferred between different transportation methods like ships, trucks, and trains.	**Twenty-foot equivalent unit (TEU)**	A standard measurement unit based on a 20-foot container length, used to measure both ship capacity and port handling volumes.
Dredging	A method of loading or unloading cargo using cranes, either from the dock or the ship itself.	**Vessel**	Any large watercraft capable of maritime transportation.
Lift-on lift-off	A method of loading or unloading cargo using cranes, either from the dock or the ship itself.	**Wharf**	A comprehensive docking structure equipped with various facilities for cargo handling, including loading areas, storage spaces, and transportation connections.

APPENDIX B-COMPANY DESCRIPTION

B-1: PPAP'S MAJOR TERMINAL



PPAP operates several key terminals along the Tonle Sap, Upper Mekong, and Lower Mekong rivers, each serving distinct roles in Cambodia's trade and logistics network. **The Tonle Bet Terminal (UM2),** inaugurated in January 2024, is a small-scale feeder port in Thbong Khmum Province, specializing in consolidating and exporting agricultural products with a capacity of 70,000 TEUs/year. **The Multipurpose Terminal (TS3),** located in central Phnom Penh, provides general cargo handling and berthing services for river cruises, while the adjacent Passenger and **Tourist Terminal (TS1)** is being enhanced to support domestic and international waterway tourism. **The Container Terminal (LM17)**, PPAP's main terminal in Kandal Province, has a capacity of 500,000 TEUs/year and state-of-the-art facilities to handle both containerized and conventional cargoes efficiently. Situated at the Cambodia-Vietnam border, **the Sub-Feeder Multipurpose Terminal (LM26),** inaugurated in 2024, facilitates cross-border trade with modern weighing stations and planned warehouse expansions. Additionally, the **TS11 Terminal and UM1** Terminal contribute to PPAP's comprehensive cargo and logistics operations, enhancing connectivity and supporting regional trade growth. Together, these terminals underscore PPAP's strategic importance in driving Cambodia's economic development, strengthening trade capabilities, and fostering international integration.

B-2: PPAP'S BUSINESS SERVICES

WAREHOUSING
PPAP offers flexible warehousing for storing goods, consolidating shipments, or splitting them into smaller loads.

INLAND CONTAINER DEPOT (ICD)
Located near Container Terminal LM17, the ICD offers 24/7 handling and storage of empty containers, ensuring smooth supply for export and domestic use.

STORAGE SERVICES
Secure storage facilities are available for all kinds of cargo, including temperature-sensitive goods.

CARGO HANDLING
Provides loading and unloading services using floating cranes, container stacking with reach stackers and sky stackers, and cargo inspection with mobile scanners.

TRUCKING SERVICE
Trucking services connect LM17 with Phnom Penh, providing reliable, 24/7 transportation.

PILOTAGE AND BERTHING SERVICES
Experienced pilots and navigation aids, including buoys and traffic lights, support the safe movement of vessels along the waterways. This ensures uninterrupted 24/7 operations from the Vietnam border to PPAP terminals.

DREDGING SERVICES
Maintains deep channels for smooth navigation and provides sand mining and land reclamation services.

OTHER SERVICE
- Reefer container
- Stuffing/ Unstuffing
- Lift on/ Lift off
- Consolidation/ Deconsolidation
- Tourist terminal
- Weight Station

APPENDIX C-ENVIRONMENTAL, SOCIAL, AND CORPERATE GOVERNANCE (ESG)

C-1: ESG SCORECARD

Pillars	Categories	Themes	PPAP (Scoring)	Justification
ENVIRONMENT (30%)	Emission Levels (15%)	Greenhouse Gases	2	There is no disclosure on greenhouse gases and carbon footprint, making information hard to access.
		Wastewater	2	There is no disclosure to the management of wastewater, making information harder to access.
		Noise Pollution	6	A visit to the LM17 terminal found moderate noise levels and minimal residential impact, aided by nighttime peak operations. Enhanced noise level disclosure would strengthen environmental compliance and sustainability commitments.
		Biodiversity	2	There is no disclosure to the affect on biodiversity, making information harder to access.
		Waste Management	10	The port enforces strict waste collection protocols for all vessels docking at its facilities, including dry and cold warehouses, ensuring adherence to environmental regulations. Additionally, it partners with two specialized recycling companies to manage and repurpose operational waste, demonstrating a commitment to sustainable waste management practices
	Resource Efficiency (10%)	Energy Usage	8	The port operates with a hybrid energy mix, using fuel for generators and mobile cranes, while fixed cranes run on electricity. Management is exploring solar energy adoption, but progress is limited by regulatory restrictions on solar farm locations, highlighting the need for collaborative solutions.
		Water Usage	2	There is no disclosure to water usage, making information harder to access.
		Sustainable Approaches	7	The port's adoption of EV trucks and forklifts reflects its sustainability commitment but faces challenges from high costs and limited infrastructure. Notably, all employee vehicles have been transitioned to EVs, showcasing leadership in green initiatives.
	Innovation (5%)	Digitalization & Technologies	8	PPAP uses a Radiation Portal Monitor (RPM) to scan the cargo containers and vehicles leaving or entering the terminal to detect radio substances, meeting the US regulatory compliance of the Department of Homeland Security's (DHS) addressed by ANSI N42.35
		Service Innovation	2	There is no disclosure to service innovation, making information harder to access.
	Environmental Average Score =		1.5	
SOCIAL (40%)	Workforce (20%)	Health and Safety	8	PPAP ensures workplace safety through NSSF benefits, health insurance, PPE, and emergency response kits. Employees have access to designated hospitals for accidents or illnesses, underscoring its commitment to employee welfare.
		Working Conditions	7	PPAP complies with labor laws and supports employees with on-site facilities like a canteen, dormitories, and a clinic, fostering a safe and supportive workplace.
		Career Development and Trainings	8	In 2023, PPAP prioritized leadership growth, with directors and senior officers attending over 40 domestic and international training sessions, reinforcing its commitment to leadership excellence.
		Diversity and Inclusion	5	PPAP lacks gender diversity, with one female board member and limited workforce transparency. However, its leadership is highly qualified, offering diverse expertise. Improving gender representation could strengthen ESG alignment.
	Product Responsibility (10%)	Responsible Marketing	7	PPAP ensures transparency through adherence to regulated pricing and detailed disclosures on its website. Enhancing website functionality and launching marketing campaigns could strengthen market presence and competitiveness.
		Service Quality	7	PPAP enhances service quality through expanded storage, infrastructure upgrades, and new machinery while ensuring transparent pricing, consistent quality, and timely delivery to drive customer satisfaction.
		Data Privacy	2	There is no disclosure to data privacy, making information harder to access.
	Human Rights (5%)	Human Rights	8	PPAP adheres to Cambodian labor laws and enforces policies to prevent discrimination of gender, races, and religions within their workplaces.
	Community (5%)	Equally important to all industry groups, hence a median weight of five is assigned to all	10	PPAP supports community development through donations to Kantha Bopha Hospital, the Red Cross, and local programs, highlighting its commitment to social responsibility.
	Social Average Score =		2.8	

GOVERNANCE (30%)	Shareholders (13%)	Shareholder Rights	7	PPAP complies with the Cambodian Corporate Governance Code, ensuring shareholder rights to meetings, voting, dividends, and liquidation assets, reflecting transparent and equitable governance.
		Takeover Defences	2	There is no disclosure to takeover defences on PPAP, making information harder to access.
	Management (12%)	Structure (Independence, Committees, Diversity)	4	PPAP's Board comprises seven members, with limited independence and gender diversity, as the Chairman also serves as CEO, and only one female member is present. However, established committees for audit, risk, remuneration, and nomination provide a governance foundation. Improving diversity and independence could enhance effectiveness and align with best practices.
		Compensation	5	PPAP has only disclosed the total remuneration for their board of directors, executive directors, and senior officers. They did not disclose whether it was linked with performance or any other measures.
	CSR Strategy (5%)	Corporate Social Responsibility	8	PPAP is dedicating to corporate social responsibility efforts, allocating an average of 5% of its profit between 2018 and 2023, to support various initiatives and social welfares. However, the sudden big increase in 2023 may raise concerns among some investors.
		ESG Reporting andTransparency	3	PPAP has not previously issued a sustainability report, but PPAP will begin publishing sustainability reports in 2025, marking a step toward greater transparency and alignment with ESG standards.
	Governance Average Score =		**1.4**	
		Overall Score =	**5.7**	**Out of 10**

The ESG ratings are calculated by allocating a 30% weight each to Environmental and Governance factors, with Social factors weighted at 40%, reflecting the labor-intensive and labor-dependent nature of port operations. Emphasizing areas such as workforce standards, workplace law & policy, and social impact mitigation highlights the company's social responsibility and commitment to long-term stability.

PPAP achieves a comparable ESG score to its domestic peer, PAS, indicating no immediate concerns. Nonetheless, adopting global best practices and enhancing disclosures on critical areas would strengthen PPAP's ESG transparency and alignment with international standards.

C-2: PPAP BOARD OF DIRECTORS

Name	Position	Appointing Period	Education	Compensation in 2023 (KHR'000)
H.E. Hei Bavy	Chairman of BOD & CEO	27 June 2022 - 27 June 2025	MBA, Charles Sturt University, Australia. PhD in Economic, Chamroeun Polytechnic of Cambodia.	279,070
H.E. Suon Rachana	Member (Ministry of Public Works and Transportation)	27 June 2022 - 27 June 2025	Graduate, Faculty of Medicine	144,000
H.E. Ken Sambath	Member (Ministry of Economy & Finance)	27 June 2022 - 27 June 2025	Master Degree of Economic of Lomonosov State, Russia. Master Degree of Public Policy Saitama, Japan. PhD of Economics International, England.	144,000
H.E. Penn Sovicheat	Member (Ministry of Commerce)	27 June 2022 - 27 June 2025	Bachelor Degree of Economic Cambodia Institute of Economics. Master Degree of Business, New England, Australia.	144,000
Mr. Gui Anvanith	Member (Independent Director, Chairperson, Foreign Trade Bank of Cambodia)	27 June 2022 - 27 June 2025	Mathematic in France Language Stanislaus College of Montreal, Canada. B.A.Sc. of Industrial Engineering Universite de Montreal Baccalaureate, Canada. Master of Business Management Western Ontario, London, Canada.	144,000
Mrs. Pok Pheakdey	Non-Executive Director (Representative of Private Shareholders)	27 June 2022 - 27 June 2025	Bachelor of Accounting and Finance, National University of Management. Completed Part 1 of ACCA. Associate Member of CPA, Australia. Associate Member of the Institute of Public Accountants, Australia.	144,000
Mr. Kong Sothea	Member (Employees' Representative)	27 June 2022 - 27 June 2025	Associate Degree Secondary School of Finance/Accounting. Degree of Enterprise Management. Master Degree of Economics.	279,070

APPENDIX D-INDUSTRY AND COMPETITIVE POSITION

D-1: MAP OF THE FUNAN TECHO CANAL

The Funan Techo Canal remains a speculation on the benefits it has over the logistic sector in Cambodia. The canal intended to shorten and smoothen the route of logistics in the Mekong river. Hence, PPAP will more or less be impacted which is deemed to substitute the current trading route. Currently, ships from PPAP travel along the Mekong river reaching the ports in Vietnam prior to the transition to international water. The canal will ultimately switch the transition destination from Vietnam ports to Cambodia sea water ports such as Kampot and PAS, transforming Cambodian ports to the logistic hub. Nevertheless, the optimism still remains a speculation. According to the plan, ships from PPAP river ports will totally avoid going into Vietnamese ports. Therefore, PPAP will be a complementary port to Cambodian sea water ports instead of competing with each other.

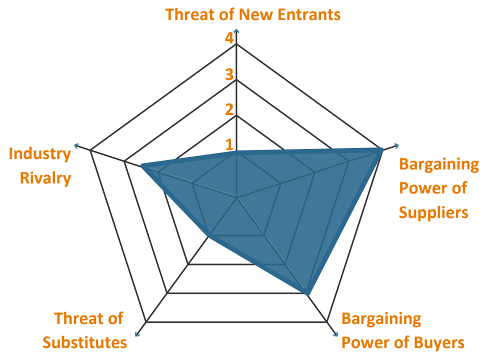
D-2: SOUTHEAST ASIAN PORT CURRENT TARIFF STRUCTURE

			Export		Import	
ASEAN Ports	Country	Exchange rate/USD	Laden	Empty	Laden	Empty
Phnom Pehn Port (PPAP)	**Cambodia**	**4,100**	**$45.00**	**$23.00**	**$45.00**	**$23.00**
Sihanoukville Port (PAS)	**Cambodia**	**4,100**	**$15.00**	**$0.00**	**$57.00**	**$57.00**
Philippines Port Authority	Philippines	57.5	$153.40	$153.40	$153.40	$153.40
Port Klang	Malaysia	4.3	$100.00	$58.14	$100.00	$58.14
Tanjung Pelepas	Malaysia	4.3	$61.60	$48.10	$61.60	$48.10
PSA International Port	Singapore	1.3	$48.28	$17.56	$48.30	$17.56
Laem Chabang Port	Thailand	33.2	$48.27	$35.29	$48.30	$35.29
South Van Phong International Port	Vietnam	25,164	$24.68	$14.62	$24.70	$14.62
Cai MEP Port	Vietnam		$43.20	$28.08	$43.20	$28.08
Hai Phong Port	Vietnam	25,164	$16.49	$11.13	$16.50	$11.13

D-3: PORTER'S FIVE FORCES

THREAT OF NEW ENTRANTS - LOW

- **Access to Suitable Location:** PPAP has expanded its terminals and excelled along the Mekong River while PAS and Kampot International Port plan to expand deeper on the coast. The availability of suitable locations for comparable ports is currently limited, lowering the chances of new entrants.
- **High Capital Requirements:** A port business demands significant capital investment in land, machinery, and other essential assets. For instance, the LM17 port terminal spans around 40 hectares.
- **Economies of Scale:** Established ports benefit from economies of scale in handling large cargo volumes, allowing them to offer competitive pricing. This is an advantage that new entrants may find challenging in resimulating the established ports in this industry.
- **Regulatory Hurdles:** In Cambodia, the port industry must adhere to Maritime regulations (IMO) and stringent environmental, labor, and security regulations, which contribute to high compliance costs and present a barrier to entry.



THREAT OF SUBSTITUTES - LOW

- **Alternative Trade Routes:** One study indicates that for shipping large volumes of cargo by ships, it is priced 12-16 times lower than air freight. As for on-land transportation, Cambodia's railway requires further developments, and road transportation remains limited to small volume cargoes and nearby countries only.
- **Sihanoukville Expressway:** Most passenger vehicles and smaller cargo trucks have now switched to use the expressway, which has eased congestion on the National Road 4, making it more accessible for larger container trucks. For shipping companies opting to use the expressway, there is a charge of $0.40/km for trucks with loading above 20 tons.
- **Logistic Innovations:** The Ministry of Public Works and Transport has announced plans to build high-speed rail for passenger and cargo transportation across Cambodia by 2028, though no concrete initiatives have been launched to date. Although there was significant growth from 29,000 TEUs in 2015 to 39,437 TEUs in 2020 (PAS Data 2022) , it only represented 13.5% of container throughput of PPAP in 2020 which was 290,857 TEUs.

INDUSTRY RIVALRY- MODERATE

- **Direct Competition:** Among Cambodia's 119 ports, PAS stands out as PPAP's main direct competitors and threats. However, the shorter lead times provided by PPAP's river route along the Mekong to Vietnamese ports give it a competitive edge for quicker access to major trading partners.
- **Indirect Competition:** PPAP also faces indirect competition from domestic small ports and from neighboring countries' ports, equipped with advanced infrastructure and large handling capacity. Nevertheless, shipping companies have to consider the extra rail or road transportation fees when considering these alternatives.
- **Pricing Pressure:** There is a slight difference in pricing pressure that PPAP has put on PAS, given their position as key players in the domestic market. However, PPAP can leverage its geographical advantage to offer flexible pricing, particularly for clients with medium bulk cargo suitable for river transport.

BARGAINING POWER OF BUYERS - MODERATE

- **Moderate Switching Costs:** PPAP's major clients may consider switching to PAS or other nearby ports if service quality declines or price increases. However, shifting to these alternatives would incur additional transportation costs and longer lead times.
- **Concentration of Major Clients:** Large shipping companies are the primary customers for port businesses, since they bring substantial cargo volumes and are integral to the port's revenue. Consequently, they may negotiate for competitive pricing and enhanced services.
- **Import and Export:** The LM17 port's strategic location is Phnom Penh, close to special economic zones and approximately 9314 factories (as of 2023), making it particularly advantageous. Additionally, high volumes of imports and exports to markets like the US, China, and Japan benefit from LM17's connection to Vietnam Saigon Port, effectively reducing lead times.
- **Price and Service:** For containers that need to stay in the port for at most 7 days, no storage cost will incur. Meanwhile, PAS offers free container storage for only 5 days.

BARGAINING POWER OF SUPPLIERS - HIGH

- **Specialized Equipment and Technology:** The port relies on specialized suppliers for equipment like fixed and traveling cargo cranes, as well as other automated systems. Since only a few global manufacturers supply these technologies and local options are limited, supplier power is relatively high.
- **Labor Expertise:** The shortage of skilled labor and technical expertise drives up human resource costs, both for training and competitive offers. There is also limited know-how in port operations.
- **Fuel and Utility:** One of the substantial operation costs for port business is fuel and electricity. Advantageously, the Cambodian government regulates fuel prices by setting a maximum price that aligns with international oil prices, providing some financial relief.
- **Maintenance Cost:** PPAP's maintenance expense accounted for approximately 5.7% of the company's total revenue in 2023, reflecting a significant portion dedicated to it.

D-4: SWOT ANALYSIS

STRENGTHS:

- Cambodia's largest river port operator, and one of the only two international access points that services a link to global trade and supports Cambodia increasing trade demands
- Growth is inherently associated with the booming rise of Cambodia trade and economy, with PPAP responsible for 33% of total local TEUs traffic
- Strategically located near Special Economic Zones (SEZs) ensuring cost advantage for customers
- Shipping costs remain comparable to regional peers despite being at an earlier stage of development due to being the only river port

WEAKNESSES:

- Traditional usage of development fund for expansion, leading to lack of efficiency of fund usage
- The current underutilization of capacity highlights a low return on investment
- Being a monopoly in the river shipping industry able to handle large volumes of trade discouraged innovation in terms of technological adoption and service offerings

OPPORTUNITIES:

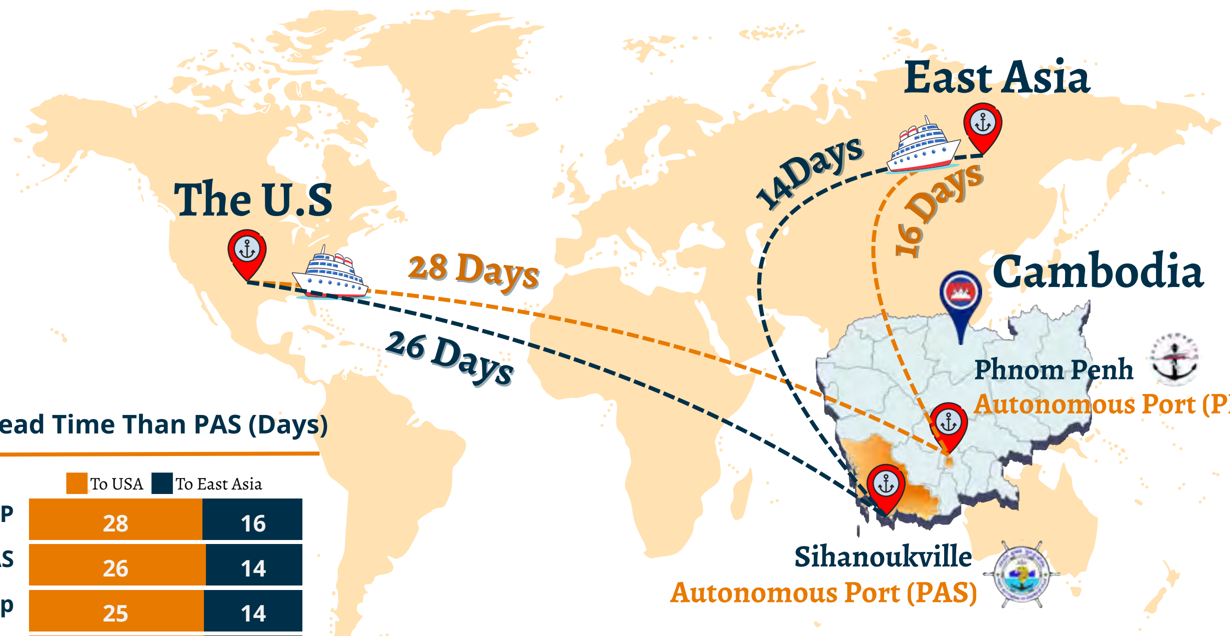
- Cambodia's expansion of manufacturing sectors beyond garments and footwear into electronics and solar panels creates an opportunity where PPAP can be the link between the various manufacturers to the international market
- Being part of the planned Techo Funan Canal which aims to connect the various port infrastructures and improve cost-efficiency allows PPAP to integrate itself deeper into Cambodia's trade flow and expand its services

THREATS:

- Other infrastructure developments could reduce PPAP's position as the sole linkage of import and export such as more efficient freight transport and roads
- Techo Funan Canal might entirely disrupt the lucrative trade route from PPAP to Cai Mep, affecting PPAP's revenue and bottom line

S W O T

APPENDIX E-SHIPPING LEAD TIME

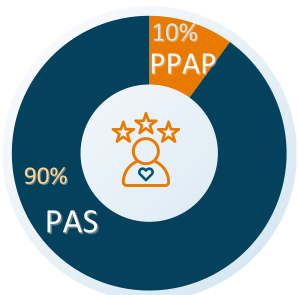


Higher Lead Time Than PAS (Days)

	To USA	To East Asia
PPAP	28	16
PAS	26	14
Cai Mep	25	14
Leam Chabang	25	14

APPENDIX F-CUSTOMER SURVEY

Customer Preference : PPAP VS PAS



Source: Customer Survey, Team Analysis

To better understand the cost implications of shipping through different ports in Cambodia, we have conducted a survey focusing on a comparative analysis between Phnom Penh Autonomous Port (PPAP) and Sihanoukville Autonomous Port (PAS). The primary objective was to evaluate the price differences for shipping to the USA and gather insights on why companies choose one port over the other. The survey collected data from key stakeholders in the shipping and logistics industry, including logistics professionals, garment factory managers, and exporters. The results are presented in the table below :

Aspect	PPAP	PAS
Price	Higher cost: 10% premium for shipping to the US. PPAP:$3,278 per TEU vs PAS: $2,980 per TEU.	Lower cost: No additional premium, making it more economical.
Transit Route	Uses Vietnam route, involves higher charges.	Direct transit through Singapore port via Mother Vessel, more efficient.
Suitability for Industries	Suitable for industries closer to PPAP facilities.	Generally easier and more efficient for broader industries.
Service Quality	Limited warehouse capacity and service standard.	Better efficiency due to direct transit through Singapore port.
Recommendations	Improve storage capacity and standardization of services.	Establish direct vessel routes to Vietnam ports for cost optimization.

APPENDIX G-FINANCIAL ANALYSIS

G-1: ASSUMPTIONS

Forcasted Revenue	Revenue is the product of price per TEU and TEUs. The price per TEUs is expected to remain constant at $87/TEU if the economy is performing ordinarily or going in a positive direction due to PPAP limited influence in the price modification. Meanwhile, the TEUs projection is based on the Ordinary Least Model (OLM) using data of total Cambodia port TEUs, GDP, import, and export from 2010 to 2023 to create a regression line that can be used to estimate the future TEUs. Through this statistically method, a TEUs growth rate for the projected periods are determined and based on this growth, the Cambodia total TEUs are derived and divided proportionally based on the market share of PPAP (33%) and PAS (67%) which was arrived based on the historical average as well.
Cost of services	Cost of services is assumed to be the difference between Gross Profit and Revenue. Incorporating the positive management report for 2024 as a recovery from the slump of 2023, we assumed the COS to be more in line with historical data through using 5-year moving average of the COS account.
General and admin expenses	General and admin expenses is assumed to be 3-year moving average of the general and admin expenses, which is our intention to account for the outlier of 2023 due to the instabilities.
Finance costs and incomes	Finance cost is assumed to be based on opening borrowing account at the rate taken from the 3-year moving average of interest rate derived from dividing the historical finance cost by historical opening debt. Finance income is assumed to be generated from the opening cash of the previous year based on a fixed rate of 7% per annum.
Dividend payout and retained earnings	Dividend payout is based on dividend payout ratio while retained earnings is the remaining amount of net profit after accounting dividend payout. Dividend payout ratio for the forecasting period is based on the formula of "opening retained earnings - closing retained earnings + net profit - change in reserves". This is done to reflect the reality of paying a dividend based on the profit. The forecasted figures were also proven to be in line with historical dividend payout ratio at an average of 9% of net profit.
Capital expenditure	Capital expenditure is assumed to be based on our calculation derived from management reports and projected capacity expansion until 2030. On top of that, despite growing and on-going projects and port developments, only LM17 is fully financed under PPAP. Other projects and developments are under partnership which does not require PPAP's large capital contribution, but just land. This help ease PPAP's capital expenditure and cash flow requirement for their developments. However, 10% of future capital expenditure financing is assumed and added to the borrowing account based on the management comment on its plan to seek out alternative financing in the future.

G-2: REVENUE PROJECTION

Year	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Cambodia Total TEUs	920,256	932,699	1,081,285	1,167,844	1,194,003	1,239,375	1,303,851	1,369,044	1,437,496	1,538,121	1,645,789	1,728,079	1,797,202	1,851,118
Assumed Growth						4.00%	4.00%	5.00%	5.00%	6.00%	5.00%	5.00%	4.00%	4.00%
PPAP TEUs	281,045	290,857	348,898	417,696	396,225	413,084	425,056	446,308	468,624	501,427	536,527	563,354	585,888	603,464
Market Share of PPAP	31%	31%	32%	36%	33%	33%	33%	33%	33%	33%	33%	33%	33%	33%
Average Price per TEU						87	87	87	87	87	87	87	87	87
Revenue	**27,190,111**	**27,048,412**	**30,783,715**	**36,411,932**	**34,558,511**	**35,940,851**	**37,378,485**	**39,247,410**	**41,209,780**	**43,682,367**	**45,866,485**	**48,159,810**	**50,086,202**	**52,089,650**

G-3: STATEMENT OF PROFIT OR LOSS FORECAST ASSUMPTIONS

Year	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Revenue Growth	31%	-1%	14%	18%	-5%	4%	4%	5%	5%	6%	5%	5%	4%	4%
Gross Profit % of Revenue	68%	70%	68%	66%	62%	67%	67%	67%	67%	67%	67%	67%	67%	67%
Operating expenses % of Revenue	25%	29%	24%	26%	25%	26%	26%	26%	26%	26%	26%	26%	26%	26%
Finance Cost % of Borrowings						3.8%	5%	5%	5%	7%	7%	5%	4%	3%
Finance Income % of Opening Cash						3.8%	5%	5%	5%	7%	7%	5%	4%	3%

G-4: STATEMENT OF PROFIT OR LOSS FORECAST (USD'000)

Statement of Profit or Loss	2018A	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Revenue	**20,723**	**27,190**	**27,048**	**30,784**	**36,412**	**34,559**	**35,941**	**37,378**	**39,247**	**41,210**	**43,682**	**45,866**	**48,160**	**50,086**	**52,090**
Cost of services	(7,235)	(8,583)	(8,003)	(9,811)	(12,444)	(13,082)	(12,448)	(13,290)	(14,135)	(14,589)	(15,576)	(16,370)	(17,137)	(17,853)	(18,564)
Gross profit	13,488	18,607	19,046	20,972	23,968	21,476	23,493	24,089	25,113	26,621	28,107	29,496	31,023	32,234	33,525
General and administrative expenses	(6,093)	(6,924)	(7,770)	(7,451)	(9,637)	(8,689)	(9,083)	(9,579)	(9,948)	(10,474)	(11,123)	(11,654)	(12,246)	(12,739)	(13,243)
Operating profit	8,853	15,804	12,353	15,390	16,924	12,046	14,410	14,510	15,164	16,147	16,984	17,842	18,777	19,495	20,282
Finance income	0	1,507	1,361	1,465	1,244	1,408	256	415	192	208	675	1,373	1,568	2,145	3,144
Finance costs	(1,170)	(1,405)	(1,092)	(1,143)	(1,087)	(1,260)	(1,263)	(1,226)	(1,201)	(1,163)	(1,108)	(1,040)	(1,015)	(968)	(896)
Profit before tax	7,682	14,399	11,261	14,247	15,837	12,194	13,403	13,699	14,155	15,192	16,551	18,176	19,330	20,672	22,531
Taxation (20%)	418	(2,847)	(2,761)	(3,005)	(4,136)	(2,801)	(2,681)	(2,740)	(2,831)	(3,038)	(3,310)	(3,635)	(3,866)	(4,134)	(4,506)
Profit for the financial year	**8,101**	**11,551**	**8,500**	**11,243**	**11,701**	**9,393**	**10,722**	**10,959**	**11,324**	**12,154**	**13,241**	**14,541**	**15,464**	**16,537**	**18,024**

G-5: STATEMENT OF FINANCIAL POSITION FORECAST (USD '000)

Statement of Financial Position	2018A	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
ASSETS															
Non-current assets															
Property, plant and equipment	73,809	77,569	88,830	103,328	107,633	126,656	133,763	143,827	150,454	152,792	151,998	161,300	165,259	163,051	160,918
Intangible assets	0	0	0	0	0	132	132	132	132	132	132	132	132	132	132
Right-of-use assets	0	0	0	3,661	5,767	8,761	11,192	13,549	15,834	16,699	17,426	18,042	18,567	19,017	19,402
Investment property	85,026	84,854	84,687	84,627	84,235	87,360	87,834	88,311	88,791	89,273	89,758	90,245	90,735	91,228	91,723
Lease receivables	0	4,324	4,310	4,297	8,836	4,672	4,637	4,603	4,579	4,547	4,516	4,486	4,456	4,426	4,395
Other receivable	0	62	65	68	70	73	76	79	82	85	88	92	96	99	103
Other investments	0	0	0	0	0	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000	15,000
Deferred tax assets	1,126	878	440	140	0	0	0	0	0	0	0	0	0	0	0
Total Non-current Assets	**159,962**	**167,687**	**178,332**	**196,121**	**214,676**	**242,653**	**252,634**	**265,500**	**274,871**	**278,528**	**278,918**	**289,297**	**294,245**	**292,952**	**291,674**
Current assets															
Inventories	0	0	0	0	715	802	882	970	1,116	1,283	1,476	1,697	1,951	2,244	2,581
Trade and other receivables	3,173	6,939	10,725	5,135	8,299	431	2,700	3,050	3,400	3,050	3,167	3,206	3,141	3,171	3,172
Lease receivables	0	13	13	14	34	7,022	34	34	24	32	31	30	29	31	30
Cash and bank balances	23,995	25,985	17,684	18,615	22,203	3,899	6,313	2,922	3,165	10,281	20,910	23,881	32,667	47,884	64,555
Total Current Assets	**27,168**	**32,937**	**28,422**	**23,763**	**31,251**	**12,153**	**9,929**	**6,977**	**7,704**	**14,646**	**25,584**	**28,813**	**37,788**	**53,329**	**70,339**
TOTAL ASSET	**187,130**	**200,624**	**206,754**	**219,884**	**245,927**	**254,806**	**262,564**	**272,477**	**282,576**	**293,174**	**304,502**	**318,110**	**332,034**	**346,282**	**362,012**
EQUITY AND LIABILITIES															
Equity															
Share capital	114,453	114,453	114,453	114,453	114,453	114,453	114,453	114,453	114,453	114,453	114,453	114,453	114,453	114,453	114,453
Share premium	156	156	156	156	156	156	156	156	156	156	156	156	156	156	156
Reserves	18,675	25,651	36,540	45,861	57,467	70,638	80,436	90,070	99,878	110,044	120,927	132,751	145,778	159,625	174,434
Retained earnings	7,678	11,642	10,079	12,687	14,565	9,798	9,634	9,807	10,166	10,883	11,824	13,027	13,846	14,809	16,133
TOTAL EQUITY	**140,962**	**151,902**	**161,228**	**173,157**	**186,641**	**195,045**	**204,679**	**214,487**	**224,653**	**235,536**	**247,360**	**260,387**	**274,234**	**289,043**	**305,176**
LIABILITIES															
Non-current liabilities															
Guaranteed dividends payable	445	232	0	0	0	0	0	0	0	0	0	0	0	0	0
Other payable	0	31	32	34	35	37	38	40	41	43	45	47	48	50	52
Borrowings	24,840	22,770	20,700	18,630	16,560	14,490	16,411	16,003	15,436	14,663	13,748	13,486	12,849	11,876	10,911
Provision for retirement benefits	645	663	616	556	362	564	568	568	568	568	568	568	568	568	568
Lease liabilities	0	2,883	2,874	6,779	11,567	11,652	9,746	9,530	9,209	8,745	8,181	8,031	7,656	7,077	6,500
Contract liabilities	14,625	14,250	13,950	13,650	13,350	13,050	13,050	13,050	13,050	13,050	13,050	13,050	13,050	13,050	13,050
Deferred revenue	0	0	0	0	8,178	11,214	9,868	10,262	10,775	11,314	11,993	12,593	13,222	13,751	14,301
Deferred tax liabilities	0	0	0	0	271	344	412	495	594	713	855	1,026	1,231	1,478	1,773
Total Non-current liabilities	**40,555**	**40,828**	**38,172**	**39,648**	**50,323**	**51,350**	**50,092**	**49,948**	**49,674**	**49,095**	**48,439**	**48,801**	**48,624**	**47,849**	**47,155**
Current liabilities															
Trade and other payables	2,692	3,339	3,055	2,394	3,233	3,023	3,122	3,206	3,290	3,374	3,458	3,541	3,625	3,709	3,793
Borrowings	2,070	2,070	2,070	2,070	2,070	2,311	1,917	1,954	1,955	1,903	1,798	1,689	1,631	1,519	1,398
Lease liabilities	0	9	9	9	56	613	123	139	156	175	189	140	141	136	128
Contract liabilities	225	300	300	300	300	300	300	300	300	300	300	300	300	300	300
Current tax liabilities	626	2,176	1,920	2,305	3,303	2,164	2,331	2,444	2,548	2,790	2,958	3,252	3,478	3,726	4,062
Total Current Liabilities	**5,613**	**7,894**	**7,354**	**7,078**	**8,963**	**8,411**	**7,792**	**8,043**	**8,249**	**8,543**	**8,702**	**8,923**	**9,176**	**9,390**	**9,681**
TOTAL LIABILITIES	**46,167**	**48,722**	**45,526**	**46,727**	**59,286**	**59,761**	**57,884**	**57,991**	**57,922**	**57,638**	**57,142**	**57,723**	**57,800**	**57,239**	**56,836**
TOTAL EQUITY AND LIABILITIES	**187,130**	**200,624**	**206,754**	**219,884**	**245,927**	**254,806**	**262,564**	**272,477**	**282,576**	**293,174**	**304,502**	**318,110**	**332,034**	**346,282**	**362,012**

G-6: CASH FLOW STATEMENT (USD '000)

Cash Flow Statement	2018A	2019A	2020A	2021A	2022A	2023A	2024F	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F
Cash flows from operating activities															
Profit before tax	7,682	14,399	12,622	15,712	18,305	12,194	13,403	13,699	14,155	15,192	16,551	18,176	19,330	20,672	22,531
Adjustments for:															
Depreciation Expenses	2,963	3,120	2,747	3,350	3,888	4,594	5,097	5,345	5,852	6,212	6,370	6,299	6,660	6,842	6,780
Finance costs	1,170	1,168	1,091	1,141	1,069	1,197	1,263	1,226	1,201	1,163	1,108	1,040	1,015	968	896
Changes in working capital:															
Inventory	0	0	0	0	(363)	(87)	(80)	(88)	(146)	(167)	(192)	(221)	(255)	(293)	(337)
Trade and other receivables	22	(3,110)	(3,061)	6,341	(3,972)	(283)	(2,269)	(350)	(350)	350	(117)	(39)	65	(30)	(1)
Trade and other payables	277	837	(110)	(414)	870	52	99	84	84	84	84	84	84	84	84
Contract liabilities	15,000	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)	(300)
Cash generated from operations	26,400	13,858	12,384	24,463	17,617	18,320	17,213	19,615	20,497	22,534	23,504	25,038	26,599	27,943	29,652
Income tax paid	418	(2,847)	(2,761)	(3,005)	(2,669)	(3,580)	(2,514)	(2,626)	(2,727)	(2,796)	(3,143)	(3,340)	(3,640)	(3,887)	(4,170)
Net cash from operating activities	**26,778**	**12,791**	**9,594**	**21,436**	**14,861**	**14,664**	**14,699**	**16,989**	**17,770**	**19,737**	**20,361**	**21,698**	**22,959**	**24,057**	**25,483**
Cash flows from investing activities															
Purchase of property, plant and equipment	(8,066)	(6,957)	(14,133)	(17,688)	(7,727)	(15,297)	(7,581)	(10,541)	(7,107)	(2,820)	(5,485)	(9,790)	(4,448)	(5,493)	(5,495)
Proceed from disposal	34	0	2	0	3	0									
Interest received	0	0	0	0	144	360									
Cash received from leased receivable	86	267	261	601	966	1,127	256	415	192	208	675	1,373	1,568	2,145	3,144
Withdrawal/Placement of fixed deposits	0	(1,200)	1,200	3,000	(6,100)	1,100	(732)	(6,069)	(6,451)	(5,755)	(563)	(5,846)	(6,739)	(842)	(1,678)
Net cash used in investing activities	**(7,945)**	**(7,890)**	**(12,669)**	**(14,087)**	**(12,713)**	**(12,710)**	**(8,057)**	**(16,195)**	**(13,366)**	**(8,367)**	**(5,372)**	**(14,262)**	**(9,620)**	**(4,190)**	**(4,029)**
Cash flows from financing activities															
Dividends paid	(869)	(965)	(1,014)	(1,019)	(1,081)	(1,142)	(1,088)	(986)	(1,019)	(1,094)	(1,192)	(1,309)	(1,392)	(1,488)	(1,622)
Interest paid	(1,138)	(1,056)	(1,001)	(890)	(1,297)	(1,020)	(1,069)	(1,129)	(1,072)	(1,090)	(1,097)	(1,087)	(1,091)	(1,092)	(1,090)
Repayments of borrowing	(2,070)	(2,070)	(2,070)	(2,070)	(2,070)	(2,070)	(2,070)	(2,070)	(2,070)	(2,070)	(2,070)	(2,070)	(2,070)	(2,070)	(2,070)
Net cash used in financing activities	**(15,916)**	**(4,112)**	**(4,208)**	**(4,103)**	**(4,600)**	**(4,250)**	**(4,227)**	**(4,185)**	**(4,162)**	**(4,254)**	**(4,359)**	**(4,465)**	**(4,553)**	**(4,650)**	**(4,782)**
Net increase in cash and cash equivalents	438	789	(7,101)	3,931	(2,453)	(2,296)	2,414	(3,391)	242	7,116	10,630	2,970	8,786	15,217	16,671
Cash and cash equivalents at beginning of financial year	8,557	8,995	9,785	2,684	8,647	6,194	3,899	6,313	2,922	3,165	10,281	20,910	23,881	32,667	47,884
Cash and cash equivalents at end of financial year	**8,995**	**9,785**	**2,684**	**6,615**	**6,194**	**3,899**	**6,313**	**2,922**	**3,165**	**10,281**	**20,910**	**23,881**	**32,667**	**47,884**	**64,555**

G-7: ALTMAN Z-SCORE

Input Variable	2020A	2021A	2022A	2023A
Total assets	206,754,193	219,883,886	245,544,835	254,806,250
Total liabilities	45,526,368	46,726,722	58,590,346	59,760,867
Working capital	7,669,273	2,740,614	5,784,282	(1,790,249)
Retained earnings	10,079,232	12,686,797	14,878,805	9,798,425
EBIT	13,714,267	16,855,124	18,129,351	12,045,954
Market value of equity	161,227,825	173,157,164	186,954,489	195,045,383
Sales	27,048,412	30,783,715	36,411,932	34,558,511

The Altman Z-score is a tool used to measure the financial health of a company to understand the risk of default. The computation method are based on the function: Altman Z-Score = 1.2A + 1.4B + 3.3C + 0.6D + 1.0E

The threshold suggested that if the Altman Z-score is below 1.80, the company faces high probability of default. On the contrary, if the Atlman Z-score is above 3.00, the company has low risk of going default.

Result: According to the Altman Z-score methodology, PPAP has an average score of 2.50, which is more than 1.80 and less than 3.00. This interpretation exhibits that the company has a moderate default risk

Derived variable	2020A	2021A	2022A	2023A
A = working capital / total assets	0.0371	0.0125	0.0236	(0.0070)
B = retained earnings / total assets	0.0487	0.0577	0.0606	0.0385
C = earnings before interest and tax / total assets	0.0663	0.0767	0.0738	0.0473
D = market value of equity / total liabilities	3.5414	3.7057	3.1909	3.2638
E = sales / total assets	0.1308	0.1400	0.1483	0.1356
Atman Z-score	**2.5873**	**2.7121**	**2.4196**	**2.2953**
Average Atman Z-score	2.5	*Alt-man Z score of 2.5 indicates that the company is at moderate risk of default*		

High default risk	Moderate default risk	Low Default risk
	1.8	3.0

APPENDIX H-VALUATION

H-1: FREE CASH FLOW TO EQUITY (FCFE) MODEL

FCFE in USD	2024E	2025F	2026F	2027F	2028F	2029F	2030F	2031F	2032F	Terminal
Net profit	10,722,259	10,958,884	11,324,394	12,153,796	13,240,733	14,540,565	15,463,812	16,537,271	18,024,422	
Add: Depreciation	5,096,925	5,345,343	5,852,042	6,211,963	6,370,290	6,299,060	6,659,927	6,842,480	6,780,334	
Less: Δ in working capital	(2,250,596)	(354,229)	(411,558)	266,613	(225,158)	(176,249)	(105,745)	(238,986)	(254,086)	
Less: CAPEX	(12,000,000)	(15,000,000)	(12,000,000)	(8,000,000)	(5,000,000)	(15,000,000)	(10,000,000)	(4,000,000)	(4,000,000)	
Add: Net debt	(869,974)	(569,974)	(869,974)	(1,269,974)	(1,569,974)	(569,974)	(1,069,974)	(1,669,974)	(1,669,974)	
FCFE	698,614	380,024	3,894,903	9,362,398	12,815,891	5,093,402	10,948,020	17,470,790	18,880,696	30,675,839
Discount factor (Ke = 16.31%)	0.861	0.741	0.638	0.550	0.473	0.407	0.351	0.302	0.260	
Present value of FCFE	**601,494**	**281,708**	**2,485,870**	**5,144,732**	**6,063,430**	**2,074,777**	**3,839,662**	**5,275,503**	**4,908,663**	**42,497,025**

We believe that FCFE valuation is suitable for PPAP because historically, the company has shown a stable capital structure characterized by a low debt-to-equity ratio. In addition, based on the disclosure in the annual report and the discussion with the management, PPAP prioritize internal funding through retained earnings and is less likely to utilize debt or increase their gearing ratio to optimize their financial leverage. This valuation is derived through an application of cost of equity of 16.15% and a terminal growth of 4.12%. This valuation result in an upside of 2% with relative P/E valuation of a downside risk of 9% and relative EV/EBITDA valuation of a downside risk of 7%. In this valuation, CAPEX for PPAP's expansion and development of LM17 and other projects are taken into consideration. This FCFE valuation is highly sensitive to cost of equity and terminal growth and a clear picture of this sensitivity is shown in Sensitivity Analysis (Figure 39).

Total intrinsic value ($)	**73,172,864**
Number of shares	20,684,365
Intrinsic value per share (KHR)	14,150
Current share price (KHR)	13,860
Recommendation	**HOLD**
Upside	**2%**

H-2: WEIGHTED AVERAGE COST OF CAPITAL (WACC)

Cost of Equity (Ke)	
US Risk Free Rate	3.7%
US Equity Risk Premium	4.3%
Cambodia Country Risk	7.3%
PPAP Equity Beta	1.18
Cost of Equity (Ke)	**16.15%**

PPAP's Equity Beta Assumption	
Tax Rate	20.0%
PPAP Debt to Equity Ratio	15.0%
PPAP Debt to Capital Ratio	13.0%
Industry Unlevered Beta (Asset Beta)	1.05
PPAP Levered Beta (Equity Beta)	**1.18**

Cost of Debt (Kd)	
Interest Coverage Ratio	9.56
Synthetic Credit Rating	AA
Synthetic Credit Rating Spread	1.0%
US Risk Free Rate	3.7%
Cambodian Default Spread	5.2%
PPAP Default Spread	0.7%
After-tax Cost of Debt (Kd)	**7.7%**
WACC =	**15.1%**

WACC: Based on the weighted proportion of equity and debt, combined with their respective required rates of return, PPAP's WACC is calculated to be 15.1%.

Cost of Equity: The cost of equity was determined using the CAPM model, incorporating a risk-free rate of 3.7% based on the US 10-year Treasury bond and an equity risk premium of 4.3%. The equity risk premium was adjusted by multiplying it with an equity beta of 1.18 and adding a Cambodia country risk of 7.3%, yielding a cost of equity of 16.15%.

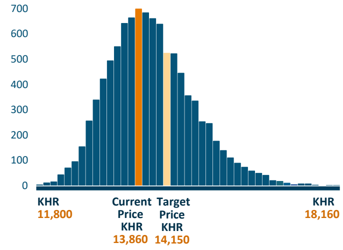
Cost of Debt: In 2023, PPAP has an interest coverage ratio of 9.56, resulting in AA synthetic credit rating with 1.0% spread. The cost of debt was calculated by taking the weighted average of the spot rate and the 5-year average of the US 10-year Treasury bond yield of 3.7%, adding Cambodia's default spread of 5.2% and PPAP's default spread of 0.7%, and then adjusting for a 20.0% tax rate. This resulted in an after-tax cost of debt of 7.7%.

H-3: RELATIVE VALUATION

Asain Peers	Country	Net Margin (%)	Operating Margin (%)	ROE (%)	Quick ratio (x)	Debt/Equity (%)	P/E (x)	EV/EBITDA (x)	P/S (x)	P/B (x)	Asset Turnover (x)
Ea Technique M Bhd	Malaysia	88.10	108.24	81.66	0.90	37.47	2.65	2.12	1.84	1.54	0.26
Tiong Nam Logistics Holdings Berhad	Malaysia	6.72	18.18	5.86	0.43	189.63	8.81	10.08	0.46	0.39	0.27
Harbour-Link Group Bhd	Malaysia	10.16	13.52	11.91	3.24	4.60	6.11	1.84	0.69	0.58	0.85
Asian Terminals Inc	Philipines	28.54	39.43	18.27	1.31	32.00	9.36	4.64	2.22	1.38	0.43
Harbor Star Shipping Services, Inc	Philipines	6.13	18.16	10.01	1.39	140.03	3.96	3.05	0.19	0.23	0.42
Ds3 Joint Stock Company	Vietnam	4.74	5.88	18.75	0.42	66.66	3.76	12.41	0.79	1.28	0.37
Vietnam Maritime Development Joint Stock Company	Vietnam	4.17	5.57	16.73	1.73	0.00	4.94	1.62	0.74	0.22	2.14
Namyong Terminal Public Company	Thailand	30.37	31.83	13.81	0.95	78.77	8.37	4.48	2.04	1.03	0.26
Regional Container Lines	Thailand	37.57	37.44	11.36	1.38	20.80	4.39	2.68	0.49	0.70	0.53
Sidomulyo Selaras Tbk PT	Indonesia	3.32	7.39	146.55	0.52	57.39	0.90	3.32	0.25	0.58	0.60
Humpuss Maritim Internasional Tbk PT	Indonesia	8.52	13.82	4.54	1.64	55.10	2.58	4.57	0.57	0.47	0.45
Industry Median		**8.52**	**18.16**	**13.81**	**1.31**	**55.1**	**5.07**	**3.32**	**0.69**	**0.58**	**0.43**
PAS.PP	**Cambodia**	**16**	**24**	**4**	**2.15**	**0.84**	**12.61**	**7.95**	**2.38**	**0.96**	**0.25**
PPAP.PP	**Cambodia**	**31**	**39**	**11**	**1.51**	**0.13**	**5.57**	**3.54**	**1.71**	**0.33**	**0.15**

H-4: MONTE CARLO SIMULATION

To account for the inherent uncertainty and variability in PPAP's share price trajectory, we performed a Monte Carlo Simulation with 10,000 iterations, systematically adjusting key input variables. This method offers a comprehensive perspective on potential valuation outcomes across a range of scenarios. The simulation incorporates variability in the following critical factors: ***(1). Terminal Growth Rate, (2). Cost of Equity (Ke), (3). TEUs Growth Rate, (4). Cost of Services (CoS)***



Result: Our analysis revealed that there is a 36% probability of a downside risk, and only 2% of upside risk. At the same time, the simulation shows 62% of the hold recommendation.

This probabilistic assessment provides clarity on the range of potential outcomes and underscores the validity of our HOLD recommendation, given the volatility of the cost and revenue driver.

APPENDIX I-REFERENCES

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