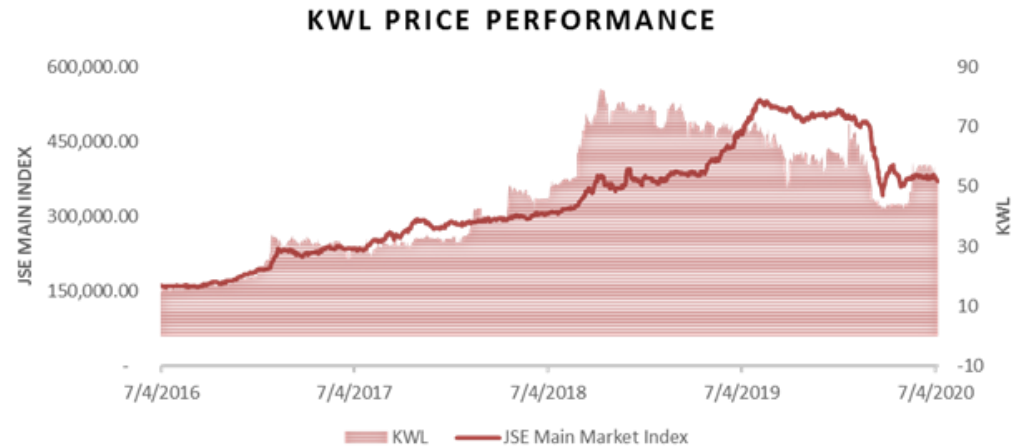


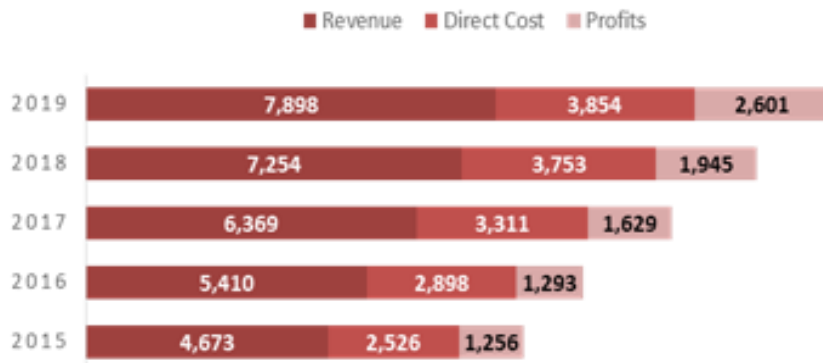
Company (Ticker): KWL	Investment Positive / Risks	Financial Highlights	Outlook/Valuation/Recommendation																						
<p>Company Description Kingston Wharves Limited (KWL) is one of the leading multipurpose port terminals in the Caribbean, facilitating connections to more than 40 ports around the world. The business consists of Terminal Operations, Cold Storage Operations, Security Operations and Other segments. KWL also operates public wharves and logistics facilities; rents and repairs cold storage facilities; and provides industrial and port security, and property rental services. The company's port terminal provides a range of cargo handling and logistics services, including mooring and unmooring of vessels; stevedoring; equipment rental; stripping and stuffing of containers; storage and warehousing; and transshipment.</p> <p>Company Updates: At their Annual General Meeting in June 2020, KWL announced plans to execute over J\$1B in infrastructural development projects in 2020. The terminal and logistics company's CEO cited "Infrastructural readiness through expanding, rehabilitating and developing our plant is a key pillar in our drive to achieve customer service excellence and realise profits." The company remains relatively sanguine that in spite of the strong headwinds arising from the COVID-19 pandemic, the success of these projects will boost its capacity and position the company for global opportunities.</p>	<p>Investment Positives</p> <ul style="list-style-type: none"> • KWL's operations will be key during and in the aftermath of the crisis given their strategical importance to the region. • The company has made significant investment in digital transformation and human capital development. The pandemic could be a catalyst for an acceleration of these initiatives and as such should drive optimized performance, cost savings and improved efficiencies. • The expansion of its service offerings has mitigated fall offs in particular sectors thereby reducing concentration risks. • KWL's Global Logistics Auto Centre which resulted in expanded yard capacity on the main terminal and has yielded strong growth in the company's motor vehicle business. <p>Investment Negatives</p> <ul style="list-style-type: none"> • The COVID-19 pandemic is the most prominent risk facing the operations of the company. Deterioration in local and international economic conditions are likely to result in reduced aggregate demand and by extension a reduction in the activity at KWL's port. • The re-emergence of US/China trade tensions could negatively impact any potential recovery in the aftermath of the pandemic and by extension the recovery of KWL's port activities. • Local and regional competition. The agreement between the Republic of Trinidad and Tobago and China Harbour Engineering Company Ltd. to develop dry docking facilities, will likely improve the competitiveness of Trinidad's ports. There is also competition from local rivals Kingston Freeport Terminal Ltd. (KFTL) 	<p>For quarter ending March 2020 (Unaudited) KWL recorded consolidated revenues of J\$1.9B, representing a 2% or J\$43.3M increase when compared to the previous year.</p> <p>Terminal Operations KWL's terminal operation continues to be the dominant revenue generator, accounting for J\$1.5B or approximately 78% of total revenues in Q1 2020. Terminal operations resulted in a 26% increase in net profits to J\$594M from J\$474M. The group attributed the positive start to the year to investments made in crucial areas of the terminal facilities and operations.</p> <p>Logistics Operations The logistics services segment also exhibited growth YoY increasing by 6% and accounted for the remaining 22% or J\$529M of revenue. This translated to divisional profits of J\$140M versus J\$138M the prior year, a 1.5% increase. The lower growth rate in what was previously indicated as the company's newest and fastest growing segment is an early indication of the pandemic's impact. This implies we may see sharp contractions in this segment's performances in the coming months when the full impact is observed.</p> <p>Balance Sheet Activities: Total assets remained relatively flat QoQ with a marginal decrease of 0.46% which was primarily attributable to 4.03% decline in the company's short term investments. Nonetheless, the group's liquidity position continues to be robust as total cash and short term instruments accounted for 17.43% of total assets. Liabilities declined by 10.84% which was mainly attributable to a decline in current liabilities as the company reduced its trade and other payables by 37.5% QoQ. The company's capital position remains robust as total shareholder's equity increased by 1.79% QoQ. This was primarily attributable to a 5.24% increase in retained earnings QoQ.</p>	<p>Outlook: Global trade is expected to contract sharply for the remainder of 2020 and likely into 2021 mainly attributable to the COVID-19 induced global recession. It is within this context that we expect KWL's performance to be adversely impacted over the next 12 to 18 months. Despite the challenges that lie ahead, the group's Board of Directors and Senior Management team continue to be optimistic that they possess the expertise to traverse the current operating environment, and that the group's strategic investments over the last few years along with the company's ability to handle a range of specialized cargo types and their diverse multi-national customer base should partially defuse some of the expected fall out and auger well for the company's long term prospects.</p> <p>Recommendation Given the above, Using a combination of the dividend discount and free cash flow to equity models weighted 40/60 we arrived at fair value of \$45.20. Based on a relative valuation model, with a 1-yr forward P/E of 33.62 and an EPS of \$1.50 and, we arrived at a target price for KWL of \$42.88. We recommend KWL as a HOLD.</p>																						
			<table border="1"> <thead> <tr> <th colspan="2" data-bbox="1575 1039 2016 1071">Key Information</th> </tr> </thead> <tbody> <tr> <td data-bbox="1575 1088 1701 1112">Year-End</td> <td data-bbox="1932 1088 2016 1112">Dec-31</td> </tr> <tr> <td data-bbox="1575 1128 1638 1153">Issuer</td> <td data-bbox="1932 1128 2016 1153">KWL JA</td> </tr> <tr> <td data-bbox="1575 1169 1785 1193">Share Price (27-Jul-20)</td> <td data-bbox="1932 1169 2016 1193">\$51.50</td> </tr> <tr> <td data-bbox="1575 1209 1743 1234">Market Cap (\$M)</td> <td data-bbox="1932 1209 2016 1234">73,655</td> </tr> <tr> <td data-bbox="1575 1250 1785 1274">Shares Outstanding (M)</td> <td data-bbox="1932 1250 2016 1274">1,430</td> </tr> <tr> <td data-bbox="1575 1291 1701 1315">Trailing EPS</td> <td data-bbox="1932 1291 2016 1315">\$1.89</td> </tr> <tr> <td data-bbox="1575 1331 1701 1356">P/E Multiple</td> <td data-bbox="1932 1331 2016 1356">15.11</td> </tr> <tr> <td data-bbox="1575 1372 1659 1396">BVPS</td> <td data-bbox="1932 1372 2016 1396">\$18.72</td> </tr> <tr> <td data-bbox="1575 1412 1701 1437">P/B Multiple</td> <td data-bbox="1932 1412 2016 1437">2.75</td> </tr> <tr> <td data-bbox="1575 1453 1743 1477">Target Price (12m)</td> <td data-bbox="1932 1453 2016 1477">\$42.88</td> </tr> </tbody> </table>	Key Information		Year-End	Dec-31	Issuer	KWL JA	Share Price (27-Jul-20)	\$51.50	Market Cap (\$M)	73,655	Shares Outstanding (M)	1,430	Trailing EPS	\$1.89	P/E Multiple	15.11	BVPS	\$18.72	P/B Multiple	2.75	Target Price (12m)	\$42.88
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Financial Snapshot				
	2016	2017	2018	2019
Rev (\$M)	5,410	6,369	7,254	7,898
Rev Growth	15.8%	17.7%	13.9%	8.9%
Operating Profit Margin	33.6%	31.0%	31.8%	33.9%
Return on Equity	7%	7%	8%	10%
EPS (\$)	0.90	1.14	1.36	1.82
Price/Earnings	22.13	28.54	56.24	33.63
Price/Book	1.54	2.01	4.39	3.27

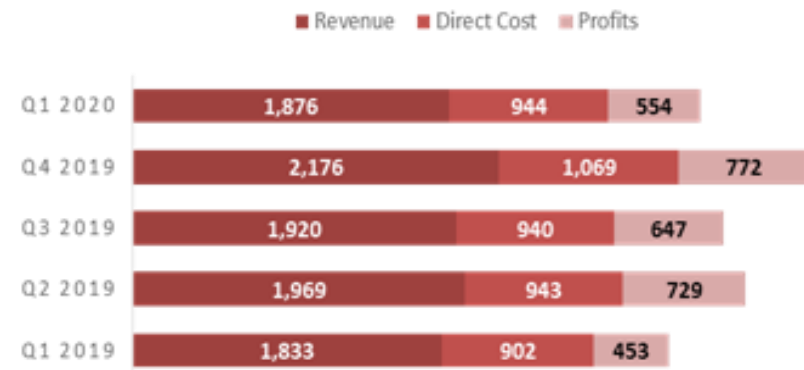
Source: Company's data, Bloomberg, SIJL estimates



KWL'S ANNUAL FINANCIAL PERFORMANCE (J\$M)



KWL'S QUARTERLY FINANCIAL PERFORMANCE (J\$M)



Source: Company's Data, Bloomberg

General Disclosures

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