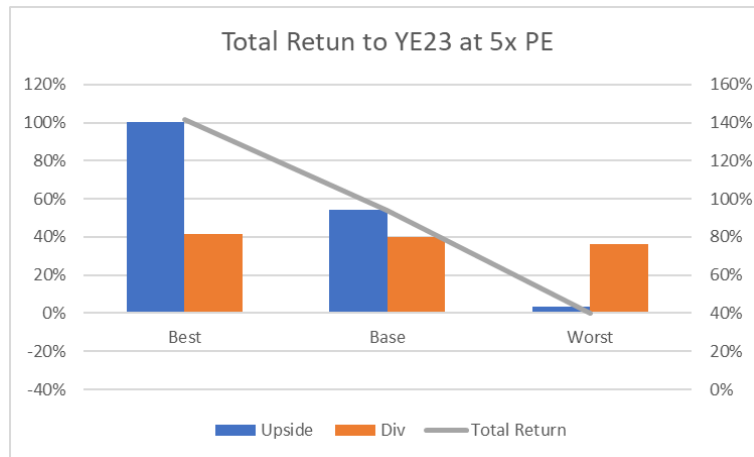


ZIM (US\$78) at 2x PE and a 20% dividend this month

- ZIM the number 10 container shipping company in the world ended YE21 with a US\$6.5bn EBITDA + 534% YoY
- The company guided for US\$7.1 - \$7.5bn EBITDA in YE22 on continued high TEU rates and announced a US\$17 dividend (ex div date March 22) or over 20%.
- The stock is very cheap at under 2x PE YE22 on our and consensus estimates. However, the market has been surprised by the “resilience” of TEU rates but continues to estimate a return to US\$1k TEU in YE23.
- We believe that the industry has learned a valuable lesson in the pandemic, that customers are willing to pay more. As an example, a TEU (20-foot container) can hold 5,000 shoe boxes at a market value of US\$100 per pair/box or US\$500k. Thus paying US\$0.2 per box (US\$1k TEU) or US\$2 per box (US\$10k) for a container trip, is still marginal.
- Container shipping companies have been the dumb pipes of the global trade business for 20yrs with 10% EBITDA margins that barely covered capex. Now they are generating 50% margins and while this is not likely sustainable, a 20% level is, which changes the long-term valuation of the sector.
- Thus, as the sector posts higher rates and margins, the market may reprice the equity from PE 2x to PE 5x and that provides considerable upside plus dividend returns.
- We provide 3 rate scenarios as a sensitivity measure. The base case incorporates the company guidance in YE22, worst case a return to US\$1.1k TEU in YE23 and the best case TEU rates of \$2.5k.

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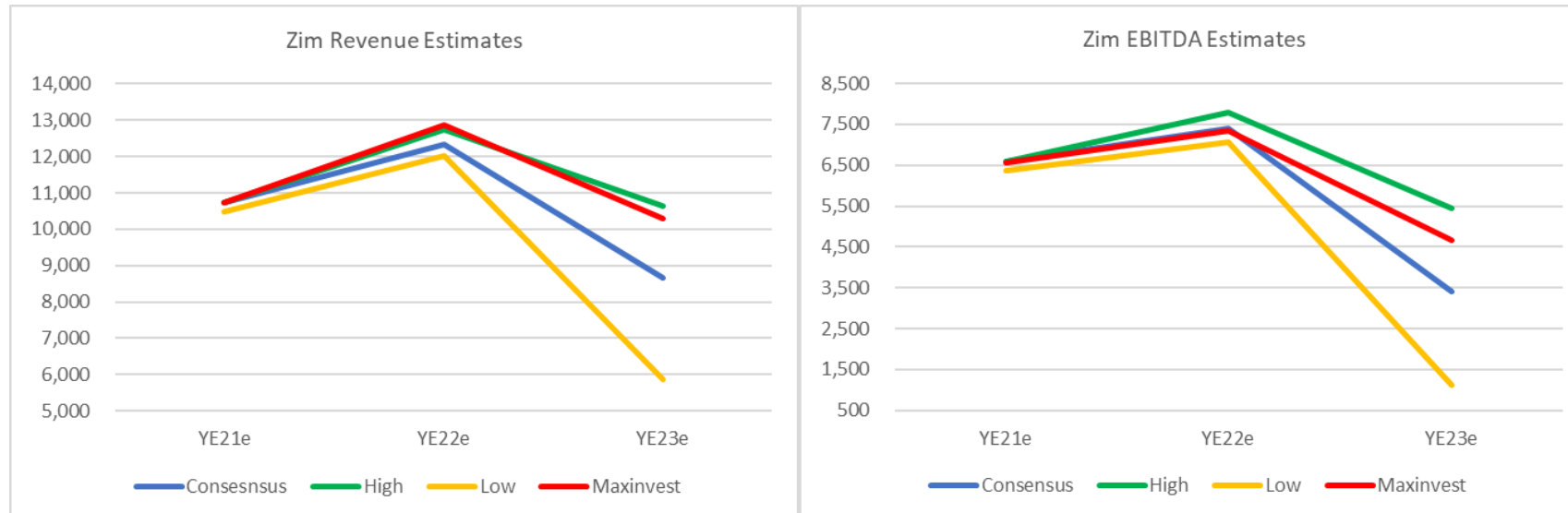


ZIM : An agile container shipping company



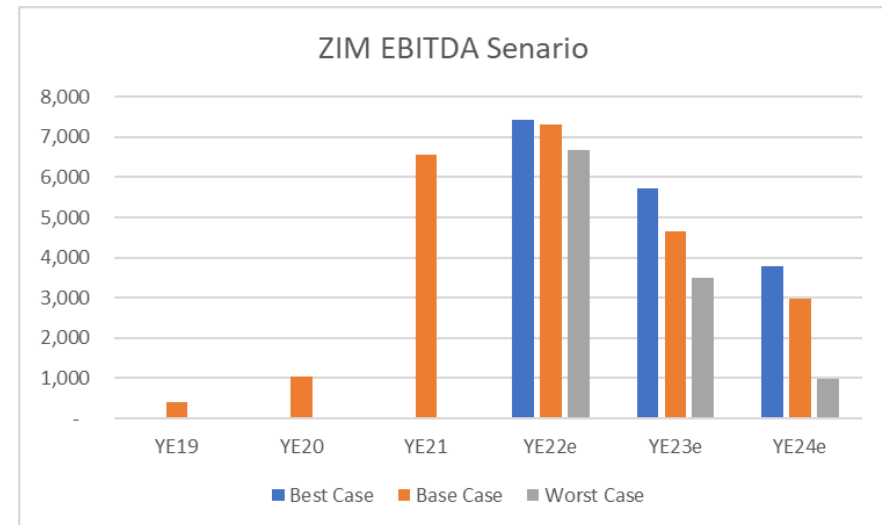
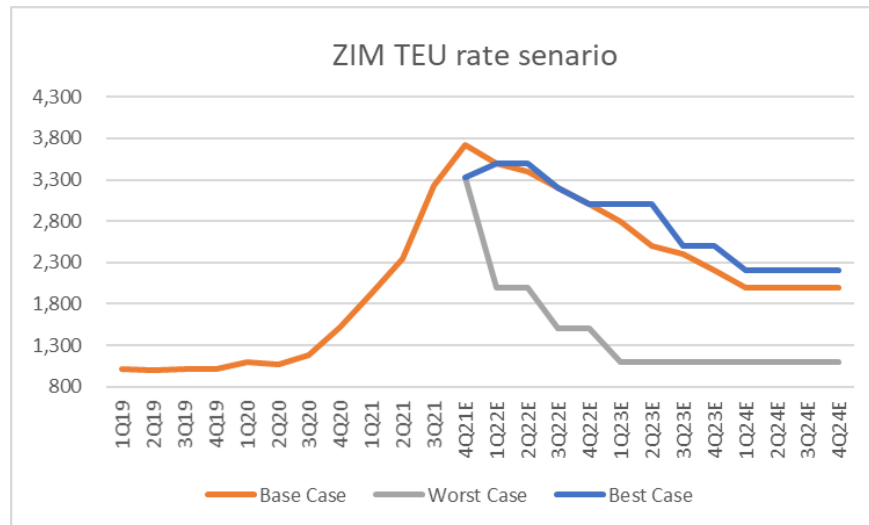
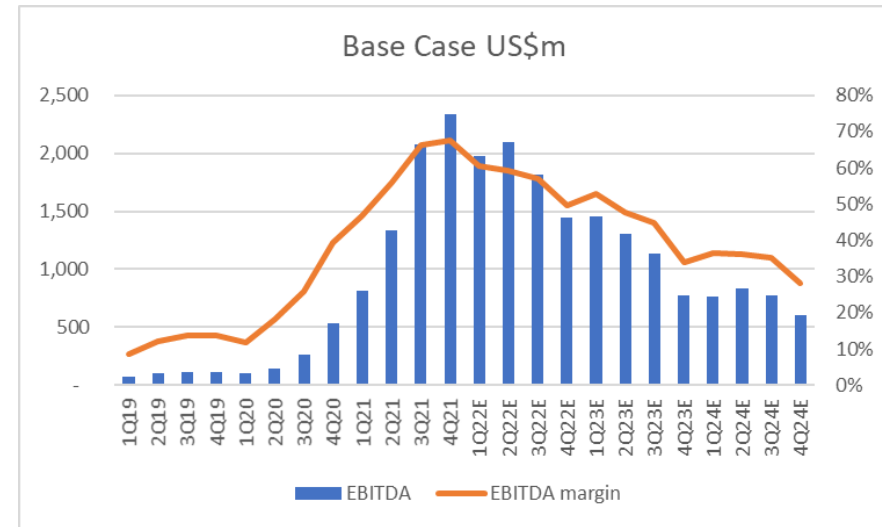
- ZIM is cheaper vs European peers, and its smaller size provides room to grow without upsetting the market.
- It is part of the 2M alliance with Maersk and MSC with ship sharing deal, similar to an airline codeshare, helps rationalize supply.
- Consensus is split, with bulk of market still no convinced that higher rates are here to stay.
- ZIM is controlled by another Israeli company called Kenon (KEN NYSE) with a 26% stake that also has electric generation assets.
- Note that Maersk is just as cheap as ZIM and has a more diverse revenue and EBITDA source via integration of logistics.
- Hapaq looks to be “expensive” on a YE23 outlook.

Peers	Price local	Mkt Cap US\$m	Net Debt US\$m	Div Yld YE22	EV/EBITDA			PE			Net Income US\$m			YE22 EBITDA guidance US\$bn
					YE22e	YE23e	YE24e	YE22e	YE23e	YE24e	YE22e	YE23e	YE24e	
ZIM	78.8	9,331	1,740	22%	1.5	2.3	3.4	2.0	3.4	5.8	4,685	2,737	1,608	7.3
Hapaq	340.8	53,570	1,177	12%	3.5	5.6	8.7	5.1	9.0	16.4	10,512	5,968	3,253	13
Maersk	3172	57,884	(5,815)	12%	1.9	2.1	3.2	2.5	3.3	5.6	24,250	18,606	11,025	24



ZIM - Three TEU rate scenarios

- Our belief is that the sector will not easily return to US\$1k TEU rates. However, the market is not convinced and so we provide three rate scenarios to highlight the sensitivity.
- Under all three scenarios YE22 should be very strong as guided by ZIM as well as its peers Maersk and Hapag. Rates stay at all-time highs in 1H22 and then gradually decline.
- The key is that the sector, to varying degrees, is implementing and sticking to longer term volume/rate contracts (1 to 3yrs) at current levels and decline slowly.
- Managing supply via alliances, reduced ship speed and price/volume contacts should provide the company with exit EBITDA margins of 20% in our view.
- In a worst-case scenario rates fall back to the US\$1k range at which ZIMs EBITDA reverts to YE20 level in YE24.
- Medium term we are hard pressed to see rates drop off a cliff in YE23 and this provides for very healthy free cash flow and dividends to support the share price



ZIM estimates and 4Q21 comps

ZIM US\$m	YE18	YE19	YE20	YE21	YE22e	YE23e	YE24e	YE25e
Share price EUR	26	26	26 (IPO)	51.7	78.8	78.8	78.8	78.8
Shares	118	118	118	118	118	118	118	118
Mkt Cap	3,079	3,079	3,079	6,122	9,331	9,331	9,331	9,331
Net Debt	1,204	1,372	1,236	(104)	(1,186)	(1,639)	(2,397)	(3,186)
Leases			1174	2796	2926	3043	3165	3291
EV	4,283	4,450	5,489	8,814	11,071	10,735	10,098	9,436

Financials

Revenue	3,248	3,300	3,992	10,728	12,881	10,283	8,782	8,271
EBITDA	88	399	1,036	6,572	7,329	4,666	2,982	2,282
Margin	3%	12%	26%	61%	57%	45%	34%	28%
Net Income	(50)	(8)	525	4,586	4,685	2,737	1,608	1,069
FCF	115	1	436	4,075	3,475	2,093	1,532	1,317
Dividends	-	-	-	533	2,013	1,523	652	402
Equity	(224)	(252)	274	4,599	7,270	8,485	9,441	10,109
Capex	23	16	43	1,050	600	500	400	50

Ratios

PE			5.9	1.3	2.0	3.4	5.8	8.7
EV/EBITDA	48.5	11.2	5.3	1.3	1.5	2.3	3.4	4.1
ND/EBITDA	13.6	3.4	1.2	(0.0)	(0.2)	(0.4)	(0.8)	(1.4)
Div Yld	0%	0%	0%	9%	22%	16%	7%	4%
FCF Yld	4%	0%	14%	67%	37%	22%	16%	14%
ROIC	-1%	22%	49%	91%	83%	44%	24%	16%

Operating Drivers	YE18	YE19	YE20	YE21e	YE22e	YE23e	YE24e	YE25e
TEU Volume	2.9	2.8	2.8	3.5	3.7	3.8	4.0	4.2
Vol Growth		-3%	1%	23%	6%	4%	4%	4%
TEU Avg price	973	1,009	1,229	2,809	3,274	2,471	2,000	1,800
Avg Price Var		4%	22%	129%	17%	-25%	-19%	-10%
Opex per TEU ex Oi	902	893	914	969	1,191	1,201	1,211	1,221
Oil price	72	64	43	72	81	85	70	70
Oil cost per TEU	184	137	127	226	315	264	244	224

Valuation

	YE22e	YE23e	YE24e	YE25e
PE	5	5	5	5
Price Target	198	116	68	45
Upside	151%	47%	-14%	-43%
EV/EBITDA	5	5	5	5
Price Target	320	211	146	123
Upside	305%	168%	85%	56%

Key assumptions

- TEU rates stay high for longer , 50% contracted for YE22
- In YE23 TEU rates could begin to decline (25%)
- Oil pass through via surcharge billing
- Volume growth of 6% on new ship deliveries
- Dividend payout of 50%
- Valuation at 5x PE

ZIM US\$m	4Q20	4Q21	YoY	4Q21E	4Q21Consensus
Revenue	1,362	3,466	155%	3,223	3,365
EBITDA	534	2,342	339%	2,149	2,276
Margin	39%	68%	72%	67%	68%
Net Income	366	1,705	366%	1,466	1,569
Volume TEU	80	86	7%	89	
Avg Rate TEU	1,518	3,725	145%	3,325	