

Orient Overseas (International) Limited

FY14 miss is a soft patch on the way to recovery

FY14 net profit of US\$271m, below consensus and UBS estimates

Orient Overseas (International)'s (OOIL) FY14 revenue was US\$6.52bn (up 4.7% YoY) and net profit was US\$271m, rebounding from a FY13 net profit of US\$47m but below UBS estimates of US\$376m. Excluding fair-value gains from investment property and the dividend from Hui Xian REIT, recurring net profit was US\$254m (US\$44m in 2013), which was also below our estimate of US\$323m. For the liner and logistics segment, 2014 net profit was US\$179m (US\$17.6m in 2013).

Ports congestion affected H214 lifting and cargo costs

FY14 EBIT margin rose 3.6ppts YoY to 5.0%, a led by higher load factor at 76% (up 3ppts YoY) and a reduction in unit costs (down 4%YoY), which more than offset the 1.9% YoY decline in unit revenue. However, the H214 EBIT margin contracted from 6.5% in H114 to 5.0%, as port congestion in the US and Asia led to rising cargo costs, while lifting was affected.

Management is cautiously optimistic on 2015 outlook

January/February trade provided a relatively positive read-through, with 'Early Bird' rates currently offered at a higher level than at the same time in 2014, while Asia-Europe (AE) and Intra-Asia (IA) lanes were mixed but not worse than in 2014. The congestion at Asian ports is easing and the US West Coast ports are seeing labour disputes being resolved but the inland bottleneck remains. We lower our FY15/16E net profit to reflect extra costs from the congestion in Q115. Bunker prices are a clear positive as FY14 did not see the full benefit of lower bunker costs due to the time-lag. However, it remains too early to form a conclusive view on the FY15 outlook. The impact of the European Currency Board's (ECB) quantitative easing (QE) programme on the AE trade and cost of capital stand out as the biggest uncertainties. In terms of industry supply, fleet deliveries scheduled for FY15 represent about 12% of current capacity. We think rate pressure will remain a risk.

Valuation: lower price target from HK\$65.00 to HK\$63.00; reiterate Buy

Our price target of HK\$63.00 is based on a one-year forward P/BV of 1.0x, assuming sustainable ROE of 6.4% (previously 6.5%) and similar to COE. We believe OOIL is the best operator among regional peers, and at its current valuation of 0.78x (below its average of 0.82x) it continues to offer compelling risk-return rewards.

Equities

Hong Kong
Marine Transport

12-month rating **Buy**

12m price target **HK\$63.00**
Prior: HK\$65.00

Price **HK\$47.85**

RIC: 0316.HK **BBG:** 316 HK

Trading data and key metrics

52-wk range HK\$52.05-34.90

Market cap. HK\$29.9bn/US\$3.86bn

Shares o/s 626m (ORD)

Free float 31%

Avg. daily volume ('000) 810

Avg. daily value (m) HK\$39.3

Common s/h equity (12/15E) US\$5.13bn

P/BV (12/15E) 0.8x

Net debt / EBITDA (12/15E) 1.3x

EPS (UBS, diluted) (US\$)

	From	To	% ch	Cons.
12/15E	0.77	0.73	-4.84	0.67
12/16E	0.83	0.83	0.12	0.81
12/17E	0.94	0.91	-3.59	-

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Highlights (US\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenues	6,459	6,232	6,522	6,649	6,783	6,986	7,194	7,409
EBIT (UBS)	210	34	200	446	497	531	547	563
Net earnings (UBS)	255	46	254	458	519	567	600	636
EPS (UBS, diluted) (US\$)	0.41	0.07	0.41	0.73	0.83	0.91	0.96	1.02
DPS (US\$)	0.12	0.02	0.11	0.26	0.29	0.32	0.34	0.36
Net (debt) / cash	(1,019)	(1,620)	(1,818)	(1,082)	(466)	167	833	1,533

Profitability/valuation	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
EBIT margin %	3.2	0.5	3.1	6.7	7.3	7.6	7.6	7.6
ROIC (EBIT) %	4.3	0.6	3.4	7.5	8.6	9.6	10.4	11.7
EV/EBITDA (core) x	9.8	12.9	9.0	5.9	4.7	4.5	4.4	2.3
P/E (UBS, diluted) x	14.8	81.8	12.9	8.4	7.4	6.8	6.4	6.1
Equity FCF (UBS) yield %	(9.0)	(3.9)	3.6	15.6	20.1	21.1	22.4	23.6
Net dividend yield %	2.0	0.3	2.1	4.2	4.7	5.1	5.4	5.8

Source: Company accounts, Thomson Reuters, UBS estimates. Metrics marked as (UBS) have had analyst adjustments applied. Valuations: based on an average share price that year, (E): based on a share price of HK\$47.85 on 09 Mar 2015 17:56 HKT

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Investment Thesis

OOIL

Investment case

We maintain our view that OOIL is a high-quality premium-service company. Its ability to charge a higher average freight rate than the industry should ensure its earnings are less volatile than those of peers. OOIL was one of the few operators to post a slight profit in 2013 while the industry recorded heavy losses. In H214, OOIL demonstrated cost discipline, reflected in a strong shipping EBIT. With its higher-than-peer margin and returns, we think the stock's current discount to regional peers is unwarranted.

Upside scenario

Our upside scenario assumes that better discipline by liners drives shipping rates higher throughout 2015, and overall 2015 revenue/TEU rises 2% YoY (compared with being down 3% for our base case). Our valuation in this scenario would be HK\$70.00/share, implying 1.05x 12-month forward P/BV.

Downside scenario

Our downside scenario assumes overall revenue/TEU falls 8% YoY in 2015, resulting in a valuation of HK\$48.00/share, implying 0.78x 12-month forward P/BV.

Upcoming catalysts

1) The sustainability of future rate increases; and 2) rising exports to the US and EU in 2015.

12-month rating

Buy

12m price target

HK\$63.00

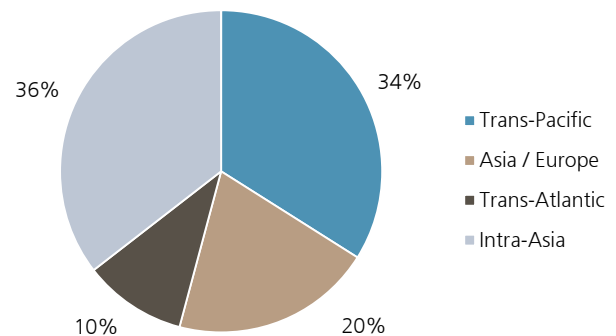
Business description

Orient Overseas (International) is an investment holding company with investments in container shipping and other strategic investments, including container terminal operations, commercial property, and businesses in China. More than 90% of its revenue comes from container transportation, operated by its wholly owned subsidiary, Orient Overseas Container Line (OOCL).

Industry outlook

Our main concern remains industry overcapacity. We are cautious on the container segment due to oversupply. With mild demand growth and intense competition, shipping rates are unlikely to rise.

Revenues by region (FY14A)



Source: Company data

Liner revenue by segment

USD m	FY14	FY15E	FY16E	FYE17	FY18E
Transpacific	1,973	2,113	2,111	2,174	2,239
Transatlantic	601	599	617	636	655
Asia Europe/ FE	1,173	1,133	1,167	1,202	1,238
Intra-Asia	2,061	2,056	2,118	2,181	2,246
Liner Revenue	5,807	5,901	6,013	6,193	6,379
Logistic Revenue	687	722	744	766	789
Total Revenue	6,495	6,623	6,756	6,959	7,168

Source: Company data, UBS estimates

Results summary

OOIL reported 2014 revenue of US\$6,522m (up 4.7% YoY) and net profit came in at US\$271m, rebounding from 2013 net profit of US\$47m, as expected by the market but below UBS estimates of US\$376m. Excluding fair-value gains from investment property and the dividend from Hui Xian REIT, recurring net profit was US\$254m (US\$44m in 2013), which was also below our estimate of US\$323m. For the container shipping/logistics segment, 2014 net profit was US\$179m (US\$17.6m in 2013).

The EBIT margin for 2014 improved 3.6ppt YoY to 5.0%, as stronger load factor at 76% (up 4.1% YoY) and further reduction in unit cost (down 4%YoY) more than offset the 1.9% YoY decline in freight rates. However, the H214 margin contracted from 6.5% in H114 to 5.0%, as port congestion in the Transpacific and Intra-Asia region led to rising cargo costs, while load capacity and lifting were adversely impacted.

Figure 1: OOIL FY14 results overview

	2014	H213	H114	2013	% YoY	2014E	% Diff
Revenue	6,522	3,315	3,207	6,232	5%	6,520	0%
Operating costs	-5,876	-2,925	-2,951	-5,772	2%	-5,783	2%
Gross profit	646	390	256	460	41%	737	-12%
<i>GP margin %</i>	<i>9.9%</i>	<i>11.8%</i>	<i>8.0%</i>	<i>7.4%</i>	<i>3%</i>	<i>11.3%</i>	<i>-1%</i>
Operating profit	329	240	89	90	264%	434	-24%
Operating profit (adjusted)	200	111	89	34	489%	453	-56%
<i>Operating margin %</i>	<i>5.0%</i>	<i>7.2%</i>	<i>2.8%</i>	<i>1.4%</i>	<i>3.6%</i>	<i>6.7%</i>	<i>-1.6%</i>
Associates / JVs	19	9	10	18	10%	26	-25%
Net finance cost	-25	-2	-22	-41	-40%	-37	-8%
Tax	-24	-11	-13	-20	22%	-46	-48%
Minority interests	0	0	0	-97	-100%	0	-186%
Abnormal items	-18	-18	-1	-3	436%	-60	-71%
Net profit (adjusted)	254	191	64	44	481%	323	-21%
EPS	0.41	0.31	0.10	0.07	481%	0.52	-22%

Source: Company data, UBS estimates

Figure 2: OOIL FY14 operating statistics

	2014	H214	H114	2013	% YoY
Trans-Pacific	1,289	643	645	1,233	4.5%
Asia / Europe	980	499	481	844	16.1%
Trans-Atlantic	385	190	195	395	-2.5%
Intra-Asia	2,932	1,448	1484	2,822	3.9%
Total volume ('000 TEU)	5,586	2,780	2,805	5,294	5.5%
Trans-Pacific	1,531	1,552	1,510	1,558	-1.7%
Asia / Europe	1,198	1,173	1,223	1,216	-1.5%
Trans-Atlantic	1,560	1,592	1,529	1,559	0.1%
Intra-Asia	703	712	694	725	-3.1%
Revenue / TEU (US\$)	1,040	1,049	1,030	1,060	-1.9%
Trans-Pacific	1,973	999	974	1,921	2.7%
Asia / Europe	1,173	585	588	1,026	14.4%
Trans-Atlantic	601	303	298	616	-2.4%
Intra-Asia	2,061	1,031	1,030	2,047	0.7%
Revenue (US\$ m)	5,807	2,917	2,890	5,609	3.5%

Source: Company data

Regional overview

Across the regions, the Asia-Europe (AE) market saw the strongest throughput (up 7.4% YoY) in 2014 even as growth slowed to 6.2% in H214 (from 8.6% in H114). Transpacific (TP) also recorded solid volume growth of 5.2% YoY, supported by stronger strong growth in H214, while rates also held up strongly towards 2014 year-end. Intra-Asia was the biggest disappointment, recording 1.9% YoY growth for the full year (or 0% in H214). This was attributable to: 1) soft volume on short-haul routes, 2) top-line pressure from the capacity cascade; and 3) the adverse impact on costs from port congestion in Hong Kong and in the Philippines. This was translated into OOIL's operating performance, where IA volume and rates growth both came in below the OOIL group average.

Cost management

OOIL further lowered total unit costs by 4% in FY14. The majority of cost savings came through lower bunker cost (down 15% YoY), which was a result of both lower bunker prices (down 10% YoY) and reduced consumption (down 7% YoY). Progress was also made in other areas, most notably in equipment and repositioning costs, which were 10% YoY lower through the implementation of the new IT system. However, cargo unit costs rose 3% YoY, as a result of congestion in the Transpacific and Intra-Asia regions.

2015 outlook

Management was cautiously optimistic on the outlook for 2015, particularly as January/February trade provided a relatively positive read-through, with TP freight holding up firmly and 'Early Bird' rates currently offered at a higher level than in 2014, while AE and IA lanes were mixed but not worse than 2014. Nevertheless, we think it remains too early to form a conclusive view on the full-year outlook, and the impact of the ECB's QE programme on AE trade and cost of capital stand out as the biggest uncertainties. Meanwhile, with fleet deliveries scheduled for FY15 representing about 12% of current capacity, top-line rate pressure will also remain a risk.

Changes in earnings estimates

We have lowered our FY15/16E earnings estimates, which largely reflect the lower FY14 earnings base, as well as higher cost assumptions.

Figure 3: Changes in earnings estimates

Year to December (US\$ m)	2015E (New)	2015E (Old)	Change %	2016E (New)	2016E (Old)	Change %
Revenue	6,649	6,648	0%	6,783	6,795	0%
Operating costs	-5,749	-5,710	1%	-5,823	-5,815	0%
Gross profit	900	938	-4%	960	981	-2%
Operating profit	521	562	-7%	599	619	-3%
Operating margin %	7.8%	8.5%	-0.6ppt	8.8%	9.1%	-0.3ppt
Associates / JVs	23	31	-25%	28	37	-25%
Net finance cost	-35	-42	-16%	-31	-44	-28%
Tax	-42	-61	-31%	-49	-67	-28%
Minority interests	0	0	-14%	0	0	-14%
Net profit (reported)	467	490	-5%	546	545	0%
EPS (pre-x HK\$)	5.68	5.96	-5%	6.43	6.42	0%

Source: UBS estimates

Figure 4: Forward P/BV versus ROE



Source: Bloomberg, UBS estimates

Orient Overseas (International) Limited (0316.HK)

Income statement (US\$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Revenues	6,459	6,232	6,522	6,649	2.0	6,783	2.0	6,986	7,194	7,409
Gross profit	-	-	-	-	-	-	-	-	-	-
EBITDA (UBS)	445	337	524	853	62.8	925	8.5	967	990	1,014
Depreciation & amortisation	(235)	(303)	(323)	(407)	25.8	(428)	5.2	(436)	(444)	(452)
EBIT (UBS)	210	34	200	446	122.7	497	11.4	531	547	563
Associates & investment income	66	49	69	89	28.9	100	12.6	113	128	145
Other non-operating income	1	9	32	0	-	0	-	0	0	0
Net interest	(9)	(25)	(25)	(35)	-43.7	(31)	11.1	(27)	(21)	(14)
Exceptionals (incl goodwill)	43	1	18	10	-43.0	30	200.0	10	20	20
Profit before tax	310	67	295	509	72.9	595	16.9	628	674	714
Tax	(14)	(20)	(24)	(42)	-72.9	(49)	-16.9	(51)	(55)	(58)
Profit after tax	296	47	270	468	72.9	547	16.9	576	619	655
Preference dividends	0	0	0	0	-	0	-	0	0	0
Minorities	(1)	0	0	0	-	0	-20.0	0	0	0
Extraordinary items	0	0	0	0	-	0	-	0	0	0
Net earnings (local GAAP)	295	47	271	467	72.8	546	16.9	576	618	655
Net earnings (UBS)	255	46	254	458	80.1	519	13.2	567	600	636
Tax rate (%)	4.5	29.7	8.2	8.2	0.0	8.2	0.0	8.2	8.2	8.2
Per share (US\$)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
EPS (UBS, diluted)	0.41	0.07	0.41	0.73	80.1	0.83	13.2	0.91	0.96	1.02
EPS (local GAAP, diluted)	0.47	0.08	0.43	0.75	72.8	0.87	16.9	0.92	0.99	1.05
EPS (UBS, basic)	0.41	0.07	0.41	0.73	80.1	0.83	13.2	0.91	0.96	1.02
Net DPS (US\$)	0.12	0.02	0.11	0.26	135.1	0.29	13.2	0.32	0.34	0.36
Cash EPS (UBS, diluted) ¹	0.78	0.56	0.92	1.38	49.7	1.51	9.5	1.60	1.67	1.74
Book value per share	7.18	7.16	7.24	8.20	13.3	8.81	7.5	9.44	10.12	10.22
Average shares (diluted)	625.79	625.79	625.79	625.79	0.0	625.79	0.0	625.79	625.79	625.79
Balance sheet (US\$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Cash and equivalents	1,862	1,914	2,166	2,295	5.9	2,521	9.9	2,766	3,044	3,354
Other current assets	903	930	1,018	1,032	1.4	1,046	1.4	1,069	1,092	1,115
Total current assets	2,765	2,844	3,184	3,327	4.5	3,568	7.2	3,835	4,135	4,469
Net tangible fixed assets	4,665	5,320	5,502	5,371	-2.4	5,146	-4.2	4,914	4,676	4,429
Net intangible fixed assets	39	43	49	49	0.0	49	0.0	49	49	49
Investments / other assets	762	783	792	792	0.0	792	0.0	792	792	412
Total assets	8,231	8,990	9,526	9,538	0.1	9,555	0.2	9,590	9,651	9,358
Trade payables & other ST liabilities	797	917	956	974	1.9	994	2.0	1,023	1,053	1,084
Short term debt	556	268	389	389	0.00	389	0.00	389	389	389
Total current liabilities	1,352	1,185	1,345	1,363	1.4	1,383	1.4	1,412	1,442	1,473
Long term debt	2,326	3,266	3,596	2,988	-16.9	2,599	-13.0	2,210	1,821	1,432
Other long term liabilities	65	63	58	58	0.0	58	0.0	58	58	58
Preferred shares	0	0	0	0	-	0	-	0	0	0
Total liabilities (incl pref shares)	3,743	4,514	4,999	4,409	-11.8	4,040	-8.4	3,680	3,321	2,964
Common s/h equity	4,493	4,482	4,528	5,129	13.3	5,515	7.5	5,910	6,330	6,395
Minority interests	(6)	(6)	0	0	-	0	-120.0	0	(1)	(1)
Total liabilities & equity	8,231	8,990	9,526	9,538	0.1	9,555	0.2	9,590	9,651	9,358
Cash flow (US\$m)	12/12	12/13	12/14	12/15E	% ch	12/16E	% ch	12/17E	12/18E	12/19E
Net income (before pref divs)	295	47	271	467	72.8	546	16.9	576	618	655
Depreciation & amortisation	235	303	323	407	25.8	428	5.2	436	444	452
Net change in working capital	(91)	93	(49)	4	-	5	4.3	7	7	7
Other operating	(47)	(30)	(67)	0	-	0	20.0	0	0	0
Operating cash flow	393	413	479	879	83.7	980	11.4	1,019	1,070	1,114
Tangible capital expenditure	(732)	(562)	(360)	(276)	23.4	(204)	26.1	(204)	(205)	(205)
Intangible capital expenditure	0	0	0	0	-	0	-	0	0	0
Net (acquisitions) / disposals	74	27	177	0	-	0	-	0	0	0
Other investing	(200)	56	0	(17)	-	0	-	0	0	0
Investing cash flow	(858)	(479)	(183)	(293)	-60.0	(204)	30.4	(204)	(205)	(205)
Equity dividends paid	(30)	(45)	(59)	(68)	-16.1	(160)	-134.9	(182)	(198)	(210)
Share issues / (buybacks)	0	0	0	0	-	0	-	0	0	0
Other financing	(255)	(319)	(226)	0	-	0	-	0	0	0
Change in debt & pref shares	423	556	209	(389)	-	(389)	0.00	(389)	(389)	(389)
Financing cash flow	138	191	(76)	(457)	NM	(549)	-20.1	(570)	(587)	(599)
Cash flow inc/(dec) in cash	(327)	125	220	129	-41.4	226	75.6	245	277	310
FX / non cash items	90	(73)	33	0	-	0	-	0	0	0
Balance sheet inc/(dec) in cash	(237)	52	253	129	-49.0	226	75.6	245	277	310

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts. ¹Cash EPS (UBS, diluted) is calculated using UBS net income adding back depreciation and amortization.

Orient Overseas (International) Limited (0316.HK)

Valuation (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
P/E (local GAAP, diluted)	12.7	NM	12.1	8.3	7.1	6.7	6.2	5.9
P/E (UBS, diluted)	14.8	81.8	12.9	8.4	7.4	6.8	6.4	6.1
P/CEPS	7.7	10.9	5.7	4.5	4.1	3.8	3.7	3.5
Equity FCF (UBS) yield %	(9.0)	(3.9)	3.6	15.6	20.1	21.1	22.4	23.6
Net dividend yield (%)	2.0	0.3	2.1	4.2	4.7	5.1	5.4	5.8
P/BV x	0.8	0.8	0.7	0.8	0.7	0.7	0.6	0.6
EV/revenues (core)	0.7	0.7	0.7	0.8	0.6	0.6	0.6	0.3
EV/EBITDA (core)	9.8	12.9	9.0	5.9	4.7	4.5	4.4	2.3
EV/EBIT (core)	20.7	NM	23.6	11.3	8.7	8.2	7.9	4.2
EV/OpFCF (core)	NM	NM	NM	10.8	7.8	7.1	6.6	3.4
EV/op. invested capital	0.9	0.8	0.8	0.8	0.8	0.8	0.8	0.5
Enterprise value (US\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Market cap.	3,764	3,791	3,284	3,860	3,860	3,860	3,860	3,860
Net debt (cash)	796	796	1,719	1,450	774	774	774	(1,183)
Buy out of minorities	6	6	3	0	0	0	1	1
Pension provisions/other	71	63	58	57	57	57	57	57
Total enterprise value	4,637	4,656	5,065	5,366	4,690	4,691	4,691	2,734
Non core assets	(294)	(323)	(351)	(351)	(351)	(351)	(351)	(351)
Core enterprise value	4,342	4,333	4,714	5,016	4,340	4,340	4,340	2,383
Growth (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Revenue	7.4	-3.5	4.7	2.0	2.0	3.0	3.0	3.0
EBITDA (UBS)	26.2	-24.3	55.4	62.8	8.5	4.6	2.4	2.4
EBIT (UBS)	90.5	-83.8	NM	122.7	11.4	6.9	2.9	2.9
EPS (UBS, diluted)	95.5	-81.8	NM	80.1	13.2	9.2	5.9	6.1
Net DPS	69.1	-84.1	NM	135.1	13.2	9.2	5.9	6.1
Margins & Profitability (%)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Gross profit margin	-	-	-	-	-	-	-	-
EBITDA margin	6.9	5.4	8.0	12.8	13.6	13.8	13.8	13.7
EBIT margin	3.2	0.5	3.1	6.7	7.3	7.6	7.6	7.6
Net earnings (UBS) margin	3.9	0.7	3.9	6.9	7.6	8.1	8.3	8.6
ROIC (EBIT)	4.3	0.6	3.4	7.5	8.6	9.6	10.4	11.7
ROIC post tax	4.1	0.4	3.1	6.9	7.9	8.8	9.5	10.6
ROE (UBS)	5.8	1.0	5.6	9.5	9.7	9.9	9.8	10.0
Capital structure & Coverage (x)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Net debt / EBITDA	2.3	4.8	3.5	1.3	0.5	(0.2)	(0.8)	(1.5)
Net debt / total equity %	22.7	36.2	40.2	21.1	8.5	(2.8)	(13.2)	(24.0)
Net debt / (net debt + total equity) %	18.5	26.6	28.7	17.4	7.8	(2.9)	(15.2)	(31.5)
Net debt/EV	23.5	37.4	38.6	21.6	10.7	(3.9)	(19.2)	(64.3)
Capex / depreciation %	NM	185.6	111.4	67.8	47.6	46.8	46.2	45.4
Capex / revenue %	11.3	9.0	5.5	4.2	3.0	2.9	2.8	2.8
EBIT / net interest	22.6	1.3	8.1	12.6	15.8	20.0	26.4	40.9
Dividend cover (UBS)	3.4	3.9	3.7	2.9	2.9	2.9	2.9	2.9
Div. payout ratio (UBS) %	29.1	25.4	26.8	35.0	35.0	35.0	35.0	35.0
Revenues by division (US\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	6,459	6,232	6,522	6,649	6,783	6,986	7,194	7,409
Total	6,459	6,232	6,522	6,649	6,783	6,986	7,194	7,409
EBIT (UBS) by division (US\$m)	12/12	12/13	12/14	12/15E	12/16E	12/17E	12/18E	12/19E
Others	210	34	200	446	497	531	547	563
Total	210	34	200	446	497	531	547	563

Source: Company accounts, UBS estimates. (UBS) metrics use reported figures which have been adjusted by UBS analysts.

Forecast returns

Forecast price appreciation	+31.7%
Forecast dividend yield	4.2%
Forecast stock return	+35.9%
Market return assumption	6.6%
Forecast excess return	+29.3%

Statement of Risk

Our estimates, which form the basis for our valuation and price target, are subject to a high degree of error and may be materially inaccurate. This forecast error is primarily driven by revenue volatility, a function of unpredictable ordering of capacity or unforeseen demand factors impacting freight rates, combined with significant operating and financial leverage. Other sources of error include, but are not limited to, bunker fuel price volatility, labour disruptions, sharp discounting of freight rates, bankruptcy risk and significant event risk associated primarily with terrorist actions or political tensions.

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12-Month Rating	Definition	Coverage ¹	IB Services ²
Buy	FSR is > 6% above the MRA.	47%	37%
Neutral	FSR is between -6% and 6% of the MRA.	42%	32%
Sell	FSR is > 6% below the MRA.	11%	21%
Short-Term Rating	Definition	Coverage ³	IB Services ⁴
Buy	Stock price expected to rise within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%
Sell	Stock price expected to fall within three months from the time the rating was assigned because of a specific catalyst or event.	less than 1%	less than 1%

Source: UBS. Rating allocations are as of 31 December 2014.

1:Percentage of companies under coverage globally within the 12-month rating category. 2:Percentage of companies within the 12-month rating category for which investment banking (IB) services were provided within the past 12 months.

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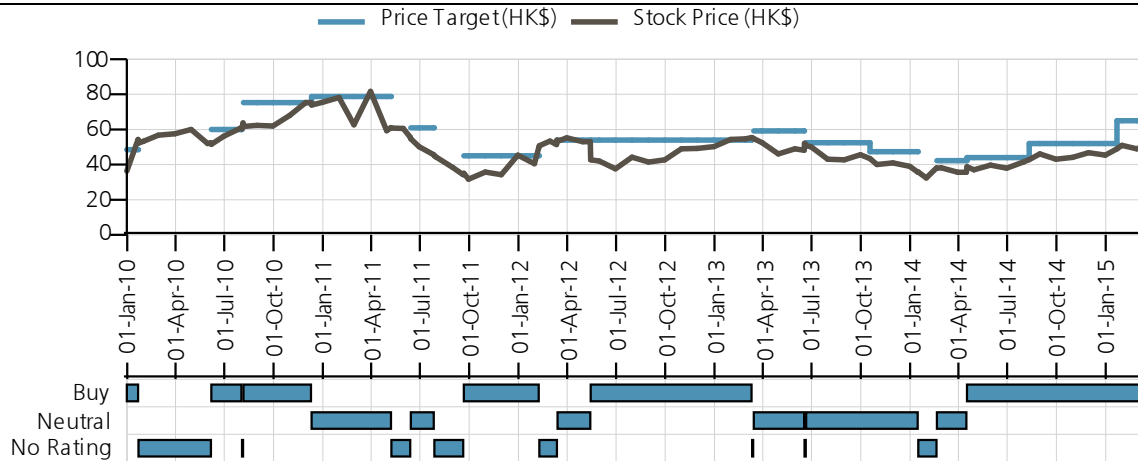
Company Name	Reuters	12-month rating	Short-term rating	Price	Price date
Orient Overseas (International) Limited	0316.HK	Buy	N/A	HK\$49.80	06 Mar 2015

Source: UBS. All prices as of local market close.

Ratings in this table are the most current published ratings prior to this report. They may be more recent than the stock pricing date

Unless otherwise indicated, please refer to the Valuation and Risk sections within the body of this report.

Orient Overseas (International) Limited (HK\$)



Source: UBS; as of 06 Mar 2015

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