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## BUY

Current Price \$1.91  
Valuation \$2.85  
TSR 55%

Ticker: **CLX.ASX**  
Sector: **Transport & Logistics**

Shares on Issue (m): **80.3**  
Market Cap (\$m): **152.9**  
Net Debt (\$m): **29.6**  
Enterprise Value (\$m): **182.5**

52 wk High/Low: **1.98 1.31**  
12m Av Daily Vol (m): **0.03**

**Key Metrics**

|               |            |            |
|---------------|------------|------------|
|               | <b>25F</b> | <b>26F</b> |
| EV/EBITDA (x) | 3.2        | 3.0        |
| EV/EBIT (x)   | 6.5        | 5.9        |
| P/E (x)       | 9.9        | 8.9        |

**Ratios**

|            |            |            |            |
|------------|------------|------------|------------|
|            | <b>24A</b> | <b>25F</b> | <b>26F</b> |
| ND/(ND+E)  | 19.6%      | 25.0%      | 20.9%      |
| EBITDA Mgn | 17.4%      | 16.9%      | 16.7%      |
| RoA        | 12.0%      | 10.0%      | 10.8%      |
| RoE        | 14.5%      | 12.0%      | 12.6%      |

**Financials\*:**

|                  |            |            |            |
|------------------|------------|------------|------------|
|                  | <b>24A</b> | <b>25F</b> | <b>26F</b> |
| Revenue (\$m)    | 321.2      | 332.1      | 361.8      |
| EBITDA (\$m)     | 55.9       | 56.2       | 60.5       |
| EBIT (\$m)       | 30.2       | 27.9       | 31.1       |
| PBT (\$m)        | 24.3       | 21.1       | 23.7       |
| NPAT (\$m)       | 16.9       | 14.9       | 16.6       |
| Rep.PBT (\$m)**  | 23.2       | 20.5       | 23.7       |
| Rep.NPAT (\$m)** | 15.8       | 14.4       | 16.6       |

\* Adjusted for one-offs and amortisation

\*\* Reported

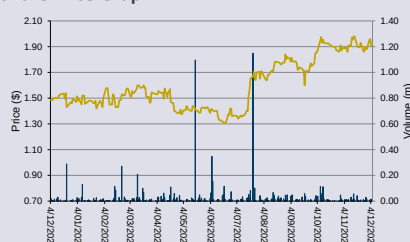
|                  |       |       |       |
|------------------|-------|-------|-------|
| Net Assets (\$m) | 121.4 | 127.7 | 135.8 |
| Op CF (\$m)      | 40.8  | 38.0  | 44.5  |

**Per Share Data:**

|                  |            |            |            |
|------------------|------------|------------|------------|
|                  | <b>24A</b> | <b>25F</b> | <b>26F</b> |
| Rep. EPS (cps)   | 20.4       | 18.5       | 21.4       |
| Norm. EPS (cps)* | 21.8       | 19.2       | 21.4       |
| DPS (cps)        | 10.5       | 10.5       | 11.0       |
| Div Yield        | 5.5%       | 5.5%       | 5.8%       |
| NTAPS (cps)      | 126.2      | 134.5      | 145.0      |
| CFPS (cps)       | 52.5       | 49.1       | 57.4       |

\* Adjusted for one-offs and amortisation

### Share Price Graph



Please refer to important disclosures at the end of the report (from page 4)

Thursday, 5 December 2024

## CTI Logistics (CLX)

### Underpinned

Analyst | Ian Christie

### Quick Read

CTI has organic and inorganic growth options aided by a balance sheet underpinned by a large, well located property portfolio. The latter largely supports the share price, while the well-managed operating businesses provide valuation upside. BUY maintained on an upgraded valuation of \$2.85 (prior \$2.75).

### Key points

**CTI an economic barometer:** CTI Logistics (CTI) has delivered some strong six-monthly performances over the last few years (in particular 2H22, 1H23, and 2H24) on the back of supply chain disruptions, requests for premium services, increased freight volumes, and project work. In the absence of any natural disasters and an assumed reduced demand for premium services this year, we expect FY25 to reflect a more normal operating environment. Our little changed FY25 EBITDA forecast is marginally up on FY24, aligned with an Australian economy that is growing but in a muted fashion. Our FY25 PBT forecast, also little changed on prior, is lower than FY24 due to a higher depreciation charge on owned and right of use assets. Finally, although we previously used to assume a stronger 1H weighting, more recent experience suggests a relatively flat earnings split in FY25.

**Silk Logistics acquisition spotlights the sector:** On 11 November Silk Logistics (ASX:SLH, not covered) entered into a Scheme Implementation Deed with DP World for the latter to acquire Silk by way of a scheme of arrangement. Under the Scheme Silk shareholders will get cash consideration of \$2.14 per share. This was a significant 45.6% premium to Silk's closing price prior to the announcement and was a six-month premium to Silk's one-month VWAP. Based on FactSet consensus, this offer price indicates a 14x EV/EBIT acquisition multiple and a 16x PE multiple respectively. Silk, an Australian logistics business, has similarities to CTI. It has a long history and two operating segments: Port Logistics (wharf cartage) and Contract Logistics (warehousing and distribution services).

**Well positioned for further opportunity:** CTI's balance sheet positions it well to be a selective player in the consolidation of the fragmented freight and logistics industry. Property ownership and development provides operational efficiencies and has delivered significant capital appreciation. It supports expansion of borrowing facilities but would also let CTI consider selective sale and leaseback options to release capital in need.

### Valuation & recommendation

Our blended valuation increases 4% to \$2.85 (prior \$2.75), largely due to the use of a higher EV/EBIT valuation multiple after a review of comparative businesses. Give the significant value of CTI's property assets we continue to include in the valuation mix a sum of the parts (SOTP) valuation (currently \$3.14) that takes property assets separately into account. We see CTI's property, and in particular the well-located Hazelmere assets, as providing significant value and flexibility. We maintain our BUY recommendation.



## CTI Logistics

|                    |      |
|--------------------|------|
| Recommendation     | BUY  |
| Current Price (\$) | 1.91 |
| Valuation (\$)     | 2.85 |
| TSR                | 55%  |

| Trading Metrics    | FY23A | FY24A | FY25F | FY26F |
|--------------------|-------|-------|-------|-------|
| EV / EBITDA (x)    | 3.5   | 3.3   | 3.2   | 3.0   |
| EV / EBITA (x)     | 6.2   | 6.0   | 6.5   | 5.9   |
| P/E (x)            | 8.1   | 8.8   | 9.9   | 8.9   |
| Dividend Yield (%) | 5.2%  | 5.5%  | 5.5%  | 5.8%  |

| Per Share Data       | FY23A | FY24A | FY25F | FY26F |
|----------------------|-------|-------|-------|-------|
| Reported EPS (cps)   | 22.1  | 20.4  | 18.5  | 21.4  |
| Adjusted EPS (cps)   | 23.5  | 21.8  | 19.2  | 21.4  |
| Div. per share (cps) | 10.0  | 10.5  | 10.5  | 11.0  |
| NTA per share (cps)  | 114.6 | 126.2 | 134.5 | 145.0 |
| CF per share (cps)   | 60.8  | 52.5  | 49.1  | 57.4  |

| Profit and Loss (\$m)* | FY23A  | FY24A  | FY25F  | FY26F  |
|------------------------|--------|--------|--------|--------|
| Revenue                | 302.0  | 321.2  | 332.1  | 361.8  |
| EBITDA                 | 52.8   | 55.9   | 56.2   | 60.5   |
| EBITDA Margin          | 17.5%  | 17.4%  | 16.9%  | 16.7%  |
| Depreciation           | (23.3) | (25.7) | (28.3) | (29.4) |
| EBIT(A)                | 29.4   | 30.2   | 27.9   | 31.1   |
| PBT(A)                 | 25.6   | 24.3   | 21.1   | 23.7   |
| NPAT(A)                | 18.1   | 16.9   | 14.9   | 16.6   |
| Reported PBT           | 24.7   | 23.2   | 20.5   | 23.7   |
| Reported NPAT          | 17.0   | 15.8   | 14.4   | 16.6   |

\* Normalised and pre intangibles amortisation charges unless otherwise stated

|                            |       |       |       |   |
|----------------------------|-------|-------|-------|---|
| Amort. excl. from und.     | (1.5) | (1.1) | (0.5) | - |
| Other adj. excl. from und. | 0.6   | -     | -     | - |

| Cash Flow (\$m)         | FY23A   | FY24A   | FY25F   | FY26F   |
|-------------------------|---------|---------|---------|---------|
| Receipts                | 333.4   | 348.8   | 331.9   | 359.2   |
| Payments                | (276.0) | (295.1) | (277.6) | (300.2) |
| Other                   | (10.6)  | (12.8)  | (16.2)  | (14.5)  |
| Cash from Operations    | 46.8    | 40.8    | 38.0    | 44.5    |
| Property, Plant & Equip | (29.8)  | (25.4)  | (24.1)  | (9.5)   |
| Payment for Subsidiary  | -       | -       | -       | -       |
| Other                   | 0.8     | 1.3     | -       | -       |
| Cash From Investing     | (29.0)  | (24.0)  | (24.1)  | (9.5)   |
| Issue of Shares         | 0.1     | -       | -       | -       |
| Net Borrowing           | 7.5     | 8.5     | 13.4    | -       |
| Lease Repayment         | (19.2)  | (18.2)  | (18.8)  | (19.7)  |
| Dividends / Other       | (5.3)   | (7.0)   | (8.1)   | (8.5)   |
| Cash From Financing     | (16.9)  | (16.7)  | (13.5)  | (28.2)  |
| Net Cash Flow           | 0.9     | 0.1     | 0.4     | 6.8     |
| Ending Cash             | 10.3    | 10.4    | 10.8    | 17.6    |

| Balance Sheet (\$m)     | FY23A | FY24A | FY25F | FY26F |
|-------------------------|-------|-------|-------|-------|
| Cash                    | 10.3  | 10.4  | 10.8  | 17.6  |
| Receivables             | 37.3  | 42.2  | 43.7  | 47.6  |
| Other                   | 0.2   | 0.2   | 0.3   | 0.3   |
| Current Assets          | 47.8  | 52.8  | 54.8  | 65.5  |
| Property, Plant & Equip | 116.4 | 132.4 | 147.0 | 146.8 |
| Intangibles             | 25.0  | 23.9  | 23.4  | 23.4  |
| Other NC Assets         | 53.7  | 73.0  | 73.0  | 73.0  |
| Non-Current Assets      | 195.1 | 229.3 | 243.4 | 243.2 |
| Total Assets            | 242.9 | 282.1 | 298.2 | 308.7 |
| Payables                | 23.9  | 26.9  | 26.6  | 29.0  |
| Borrowings              | 30.4  | 38.9  | 52.3  | 52.3  |
| Provisions              | 11.1  | 12.1  | 12.1  | 12.1  |
| Other                   | 65.0  | 82.7  | 79.5  | 79.5  |
| Total Liabilities       | 130.3 | 160.7 | 170.5 | 172.9 |
| Net Assets              | 112.6 | 121.4 | 127.7 | 135.8 |
| Ordinary Equity         | 29.6  | 30.3  | 30.3  | 30.3  |
| Reserves                | 1.8   | 1.8   | 1.8   | 1.8   |
| Retained Earnings       | 81.2  | 89.3  | 95.5  | 103.6 |
| Total Equity            | 112.6 | 121.4 | 127.7 | 135.8 |

## Equity Research

Ian Christie, CFA

|                  |                       |
|------------------|-----------------------|
| Sector           | Transport & Logistics |
| Market Cap (\$m) | 152.9                 |
| Date             | 5 December 2024       |

| Valuation                                        | WACC  | Calcs. | \$m   | \$ps |
|--------------------------------------------------|-------|--------|-------|------|
| <b>DCF Valuation:</b>                            |       |        |       |      |
| PV Free Cash Flow (\$m)                          | 10.0% | 257.1  |       |      |
| Less Net Debt / Plus Cash (\$m)                  |       | (29.6) |       |      |
| Equity Value (\$m)                               |       |        | 227.5 | 2.83 |
| <b>Earnings Capitalisation:</b>                  |       |        |       |      |
| FY25 EV/EBIT multiple                            |       | 9.0    | 221.5 | 2.76 |
| FY25 PE multiple                                 |       | 12.5   | 186.4 | 2.32 |
| Equity Value (\$m) - multiple blend              |       |        | 204.0 | 2.54 |
| <b>Sum of the Parts:</b>                         |       |        |       |      |
| Property Market Value After Tax Assumption (\$m) |       |        | 136.7 |      |
| Equity Value (DCF ex Property) (\$m)             |       |        | 114.9 |      |
| Equity Value (\$m) - Sum of the Parts            |       |        | 251.6 | 3.13 |
| Valuation - multiple/DCF blend (\$ per share)    |       |        |       | 2.85 |

| Profit and Loss (\$m)* | 1H24A  | 2H24A  | 1H25F  | 2H25F  |
|------------------------|--------|--------|--------|--------|
| Revenue                | 161.8  | 159.3  | 164.1  | 168.1  |
| EBITDA                 | 26.7   | 29.2   | 28.1   | 28.1   |
| EBITDA Margin          | 16.5%  | 18.4%  | 17.1%  | 16.7%  |
| Depreciation           | (12.0) | (13.7) | (14.0) | (14.3) |
| EBIT(A)                | 14.7   | 15.6   | 14.1   | 13.8   |
| PBT(A)                 | 12.0   | 12.3   | 10.7   | 10.4   |
| NPAT(A)                | 8.2    | 8.7    | 7.6    | 7.3    |
| Reported PBT           | 11.4   | 11.8   | 10.2   | 10.3   |
| Reported NPAT          | 7.6    | 8.2    | 7.1    | 7.2    |

\* Normalised and pre intangibles amortisation charges unless otherwise stated

|                            |       |       |       |       |
|----------------------------|-------|-------|-------|-------|
| Amort. excl. from und.     | (0.6) | (0.5) | (0.5) | (0.0) |
| Other adj. excl. from und. | -     | -     | -     | -     |

| Cash Flow (\$m)         | 1H24A   | 2H24A   | 1H25F   | 2H25F   |
|-------------------------|---------|---------|---------|---------|
| Receipts                | 175.6   | 173.2   | 165.0   | 166.9   |
| Payments                | (152.9) | (142.2) | (140.0) | (137.6) |
| Other                   | (6.7)   | (6.1)   | (8.3)   | (8.0)   |
| Cash from Operations    | 16.0    | 24.8    | 16.8    | 21.3    |
| Property, Plant & Equip | (15.5)  | (9.9)   | (10.0)  | (14.1)  |
| Payment for Subsidiary  | -       | -       | -       | -       |
| Other                   | 0.6     | 0.8     | -       | -       |
| Cash From Investing     | (14.9)  | (9.1)   | (10.0)  | (14.1)  |
| Issue of Shares         | -       | -       | -       | -       |
| Net Borrowing           | 8.0     | 0.5     | 7.0     | 6.4     |
| Lease Repayment         | (8.7)   | (9.5)   | (9.5)   | (9.3)   |
| Dividends / Other       | (3.5)   | (3.5)   | (4.0)   | (4.1)   |
| Cash From Financing     | (4.2)   | (12.5)  | (6.5)   | (7.0)   |
| Net Cash Flow           | (3.1)   | 3.2     | 0.3     | 0.2     |
| Ending Cash             | 7.2     | 10.4    | 10.6    | 10.8    |

| Financial Ratios             | FY23A | FY24A | FY25F  | FY26F |
|------------------------------|-------|-------|--------|-------|
| <b>Growth</b>                |       |       |        |       |
| Revenue growth (%)           | 6.6%  | 6.3%  | 3.4%   | 8.9%  |
| NPAT growth (%)              |       |       |        |       |
| Norm. EPS growth (%)         | 5.3%  | -7.5% | -11.7% | 11.5% |
| <b>Profitability Ratios</b>  |       |       |        |       |
| EBITDA Margin (%)            | 17.5% | 17.4% | 16.9%  | 16.7% |
| EBITDA Margin pre AASB16 (%) | 11.7% | 11.1% | 10.1%  | 10.1% |
| EBIT Margin (%)              | 9.7%  | 9.4%  | 8.4%   | 8.6%  |
| PBT Margin (%)               | 8.5%  | 7.6%  | 6.3%   | 6.6%  |
| Return on Assets (%)         | 13.7% | 12.0% | 10.0%  | 10.8% |
| Return on Equity (%)         | 17.0% | 14.5% | 12.0%  | 12.6% |
| ROIC (%)                     | 10.7% | 9.3%  | 7.7%   | 8.3%  |
| <b>Balance Sheet Ratios</b>  |       |       |        |       |
| ND / ND + Equity (%)         | 17.2% | 19.6% | 25.0%  | 20.9% |
| Current Ratio (x)            | 0.8   | 0.9   | 1.0    | 1.2   |
| Net Interest Cover (x)       | 7.5   | 4.9   | 4.0    | 4.2   |
| <b>Cash Flow Ratios</b>      |       |       |        |       |
| Free Cash Flow Yield (%)     | 11.1% | 10.4% | 9.4%   | 23.7% |
| Cash Conversion (x)          | 0.9   | 0.7   | 0.7    | 0.7   |



## CTI Logistics

## Key Charts

## Equities Research

Figure 1: Transport - Revenue & EBITDA Margin, Annual

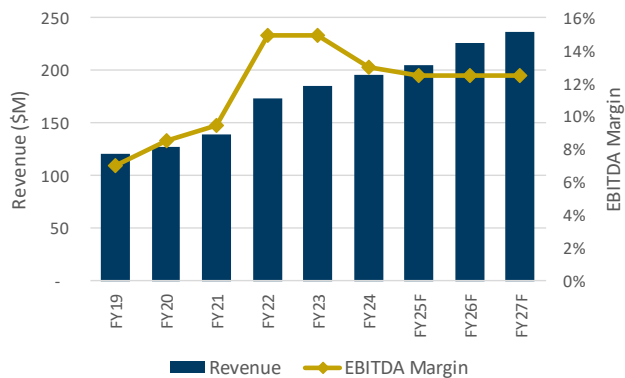


Figure 2: Transport - Revenue & EBITDA Margin, Half-Yearly

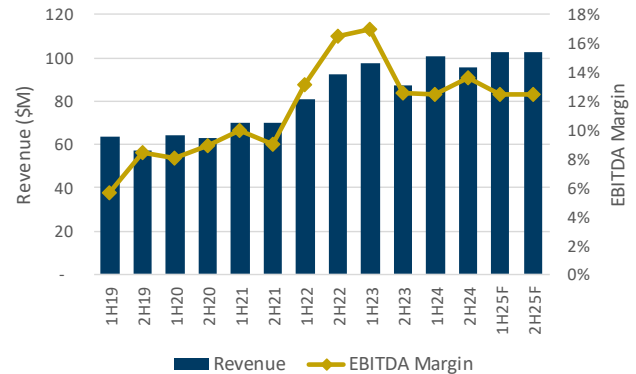


Figure 3: Logistics - Revenue & EBITDA Margin, Annual

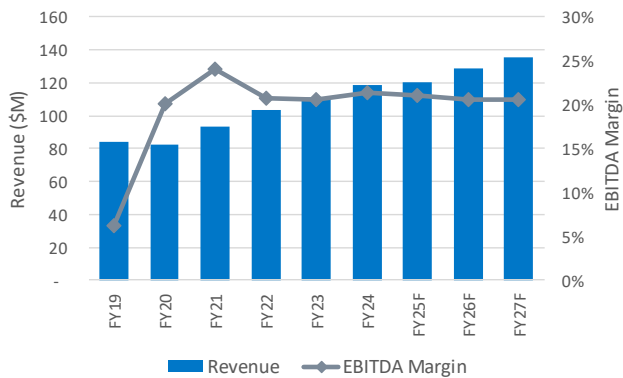


Figure 4: Logistics - Revenue & EBITDA Margin, Half-Yearly

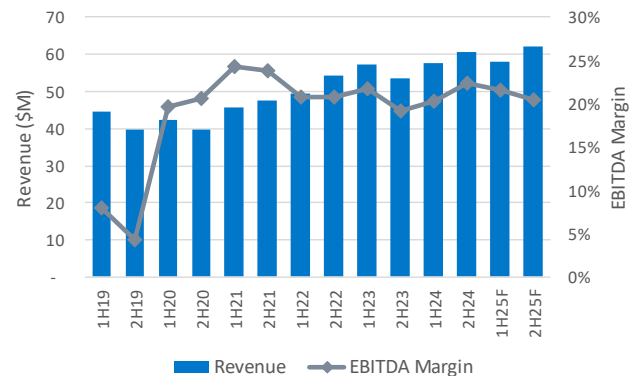


Figure 5: Group PBT, Reported & Underlying, Half-Yearly

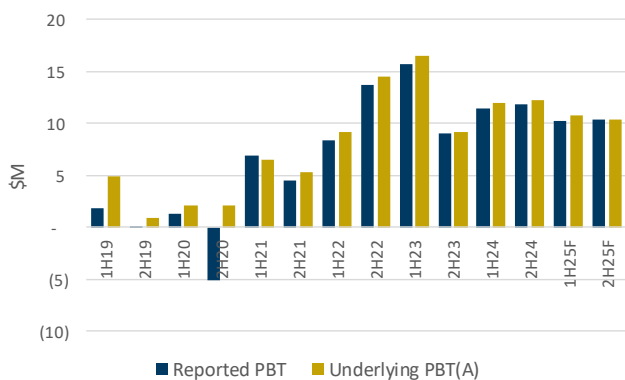


Figure 6: Operating Cash Flow and Cash Conversion

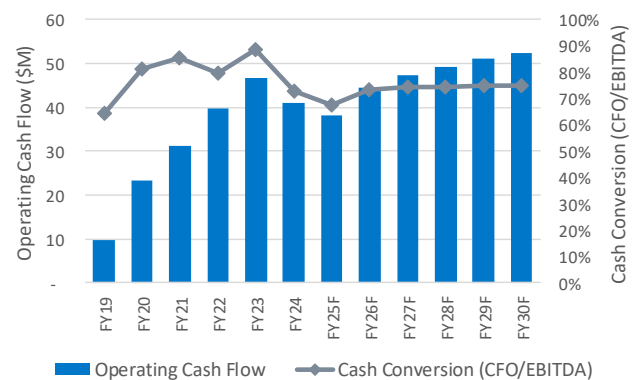


Figure 7: Gearing & Leverage

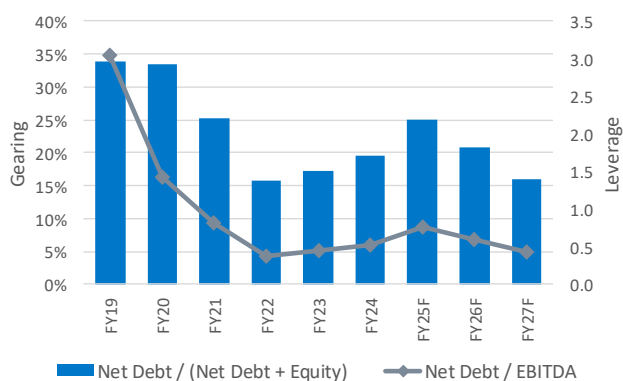
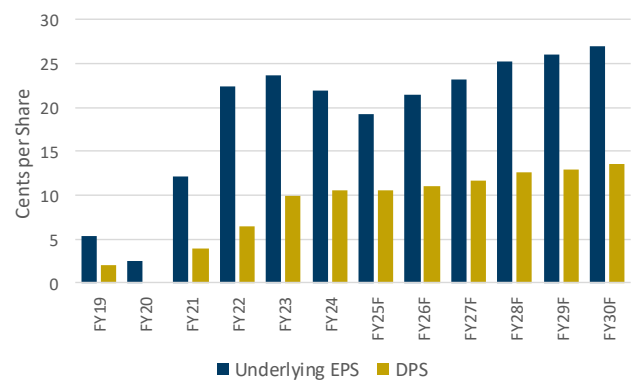
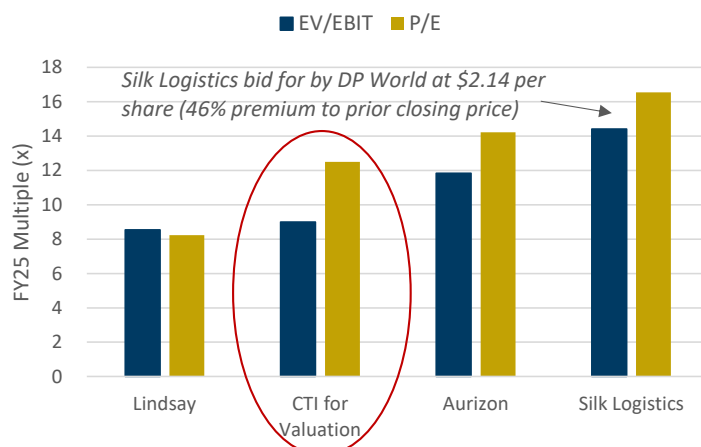


Figure 8: Earnings & Dividends per Share



## Comp trading metrics

Figure 1: Comparative trading metrics relative to valuation multiples used for CTI



Source: Argonaut Research December 2024

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