

Booming trade, foreign interest spur transport plays to mull IPOs

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Rapid growth in the dry bulk shipping business and airline acquisition interest are boosting the number of transport-related initial public share offerings.

Eleven transport offerings will tap the Hong Kong and mainland stock markets for a combined US\$4 billion in the next 12 months, according to research by Thomson Financial.

Three of the listing hopefuls are port companies, including Ningbo Port, Qingdao Port and Guangzhou Port. Ningbo and Qingdao are two of the largest bulk ports in mainland, which could capitalise on the growth in imports of iron ore, coal and grain.

"Bulk ports are more appealing to the market, since they are more resilient to a possible downturn in the US economy," said a transport analyst.

International trade would be the first to decline, but the import of raw materials into the mainland would be less affected, he said.

Ningbo handled 353.3 million tonnes of bulk cargo in the first nine months, a rise of 14 per cent from the year-earlier period.

Ningbo overtook Shanghai as the largest bulk port on the mainland last month by handling 40.84 million tonnes of cargo.

Qingdao handled 200 million tonnes in the first nine months, up 19.6 per cent.

Ningbo, Qingdao and Guangzhou are the top three container terminals on the mainland in terms of

throughput growth, gaining 24.3 to 41 per cent in the first nine months.

Ningbo is planning to raise about US\$1 billion for port expansion next year, while Qingdao and Guangzhou will raise about US\$500 million each, according to the research.

However, some analysts are cautious on the sector.

"With the overhang of the US economy, I would be more prudent towards transport public share offerings," said Clive Zhang, a deputy managing director of Hong Kong-based fund house Vision Finance Asset Management.

In addition to ports, airline initial public offerings are waiting in the wings.

Hainan-based Grand China Airlines and mainland budget carrier Spring Airlines are tipped to tap the stock market. Grand China Airlines is expected to raise US\$650 million.

Mainland carriers had been put under the spotlight amid the upcoming purchase of a stake in China Eastern Airlines Corp by Singapore Airlines and Temasek Holdings, a transport analyst said.

Aided by strong economic growth, passenger volumes increased 16.2 per cent in the first nine months of the year, compared with growth of 7.3 per cent among international carriers for the same period.

Demand remains strong despite the uncertainties in the global markets seen in recent months, according to the International Air Transport Association.