

Mitrabahtera Segara Sejati (MBSS)

Back on track after a temporary blip

Strong recovery in 2Q22 as expected....

MBSS manages to record 2Q22 revenue of USD22.5mn (+39.5% QoQ), driven by volume growth of ~35% QoQ as almost all of its fleet are back in operations, after a weak 1Q22 results due to the maintenance and dockings of ~30% of its fleet. The strong recovery QoQ brought its 1H22 revenue to USD38.6mn (+15.6% YoY), forming 41.4% of our FY22F est. As its utilization rate recovers close to its normal rate, its 2Q22 gross profit margin jumped significantly to 31% (from 17.2% in 1Q22), the highest GPM since 2014. This promptly lifted its 2Q22 operating profit margin to 24.1% (vs. 5.7% in 1Q22) and resulted in a 2Q22 net profit of USD4.2mn (a massive 9x QoQ), which subsequently brought its 1H22 net profit to USD4.7mn (15x YoY, 23% of our FY22F est.). Refer to Table 1 for more details

...sets better precedence for next quarters

Without delays on its new fleets orders (i.e. 5 new fleets monthly from July to Sep2022) and a recent freight rate adjustment for its main customer (i.e. Cotrans, ~50% contributor to MBSS' 1H22 revenue), MBSS should see a much better net profit for both 3Q22 and 4Q22. We expect MBSS to have 67 sets of tug & barges and 6 floating cranes by the end of FY22, serving both coal and nickel-related sectors.

Reiterate BUY recommendation offering ~60% upside

High utilization of its fleet should ensure MBSS generates ~30% gross margins (a level last seen in 2014) for years to come. We expect MBSS to deliver a sizable 55% CAGR earnings between FY21 and FY24 from 1) steady services in the existing coal sector and 2) significantly increasing contribution from nickel transportation segment starting in late 3Q22. Our DCF-based MBSS fair value is USD207mn (or equivalent to IDR1,750/share), implying a decent 10x FY22F PE. MBSS' strong balance sheet (net cash of ~USD27.5mn at the end of Jun2022) and expected strong operational cashflow generation of ~USD60mn p.a. in the next 3 years should allow a sizable dividend payout from FY23 onwards. MBSS currently trades at 6.6x FY22F PE, 2.3x FY22F EV/EBITDA, and a decent ~12% ROE.

	2020A	2021A	2022F	2023F	2024F
Sales (USD mn)	54.9	73.4	93.2	126.4	144.3
GP (USD mn)	3.9	15.2	30.3	44.2	50.5
OP (USD mn)	(6.7)	7.8	21.8	34.1	38.9
NP (USD mn)	(15.0)	11.5	20.5	32.3	37.3
EBITDA (USD mn)	9.5	34.6	46.1	63.1	72.5
Net debt (USD mn)	(10.2)	(27.2)	(38.5)	(60.2)	(60.3)
OP margin (%)	(12.2)	10.6	23.4	27.0	26.9
ROE (%)	(9.1)	7.1	11.4	16.2	17.4
Dividend yield (%)	-	-	12.0	18.9	-
EPS (USD)	(0.0086)	0.0066	0.0117	0.0184	0.0213
chg. (% YoY)	NM	NM	78.0	57.7	15.5
BPS (USD)	0.0896	0.0966	0.1086	0.1185	0.1263
DPS (USD)	-	-	0.0088	0.0138	0.0160
PE (x)	(9.2)	11.9	6.6	4.0	3.4
PB (x)	0.9	0.8	0.7	0.6	0.6
EV/EBITDA (x)	14.6	3.5	2.3	1.3	1.1

Company Update

Transportation

Jul 18, 2022

12M rating **BUY (Maintain)**
12M TP **IDR 1,750** (Prev 1,750)
Upside **59%**

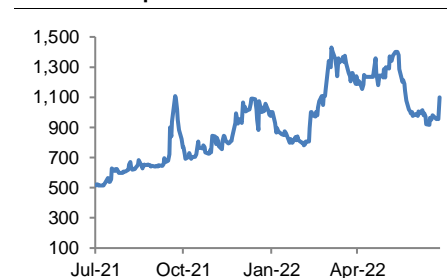
Stock Data

JCI (Jul 15)	6,652
Stock price (Jul 15, IDR)	1,100
Market cap (IDR bn)	1,925
Shares outstanding (mn)	1,750
52-week high/low (IDR)	1,550 / 505
6M avg. daily turnover (IDR bn)	2.3
Free float (%)	17.5
Major shareholders (%)	
Galley Adhika Arawama	82.5

Performance

	1M	6M	12M
Absolute (%)	10.6	4.3	115.7
Relative to JCI (%p)	17.7	8.8	96.9

MBSS stock price



Source: Bloomberg

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Table 1. 2Q22 results review

(in USDmn)

	2Q21	1Q22	2Q22	QoQ	YoY	6M21	6M22	YoY	% of FY22F KISI
Revenue	18.2	16.1	22.5	39.5%	23.4%	33.4	38.6	15.6%	41.4%
Gross Profit	4.0	2.8	7.0	151.2%	72.5%	5.4	9.7	82.0%	37.9%
Operating Profit	1.8	0.9	5.4	487.4%	198.2%	0.9	6.3	581.8%	41.4%
Net Income	1.9	0.4	4.2	846.7%	125.0%	0.3	4.7	1456.4%	22.9%
GPM	22.2%	17.2%	31.0%			16.0%	25.3%		
OPM	10.0%	5.7%	24.1%			2.8%	16.4%		
NPM	10.4%	2.8%	18.9%			0.9%	12.2%		

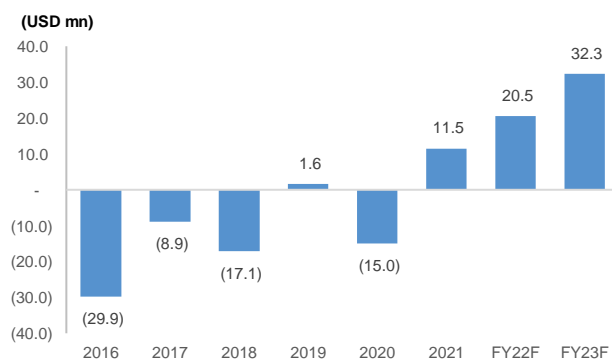
Source: Company, KISI

Table 2. MBSS's DCF estimates

Assumptions		Equity Value calculation	
Beta	2.0	Enterprise value (USD mn)	169
Equity Risk Premium	5.0%	Net debt (USD mn)	(39)
Risk Free Rate (RFR)	6.5%	Equity Value (USD mn)	207
Cost of Equity	16.5%	Shares outstanding (bn)	1.8
Cost of Debt	5.5%		
Tax	22.0%	Equity value per share (IDR)	1,750
Cost of Debt (adjusted for tax)	4.3%		
Equity Portion	90.5%		
Debt Portion	9.5%		
WACC	15.3%		
DCF Valuation (USD mn)		2022F	2023F
EBITDA		46.1	63.1
Tax		(1.2)	(1.6)
Capex		(22.3)	(35.3)
Other expenditures		(5.6)	(8.8)
Free cash flow		17.1	17.3
TV in 2025			155

Source: KISI

Fig 1. Significant earnings recovery



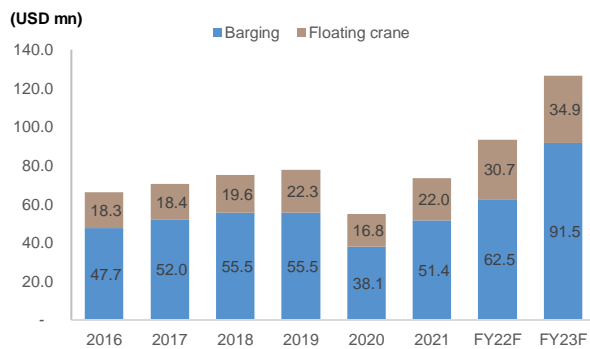
Source: Company, KISI

Fig 2. MBSS's EV/EBITDA band



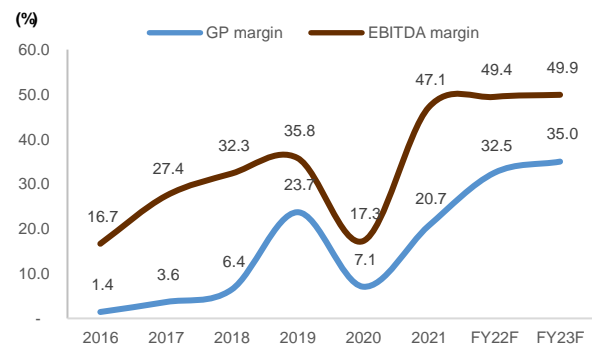
Source: Bloomberg, KISI

Fig 3. MBSS' revenue breakdown trend



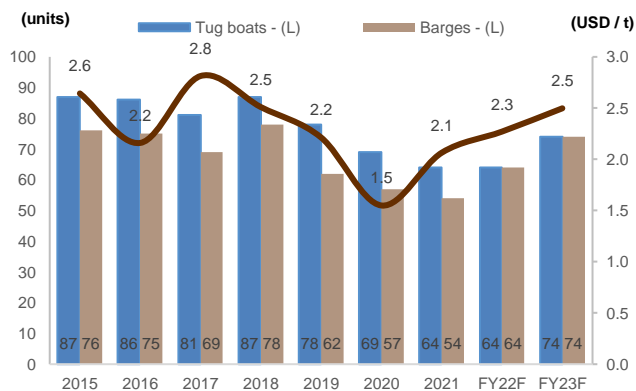
Source: Company, KISI

Fig 4. MBSS' GP & OP margins trend



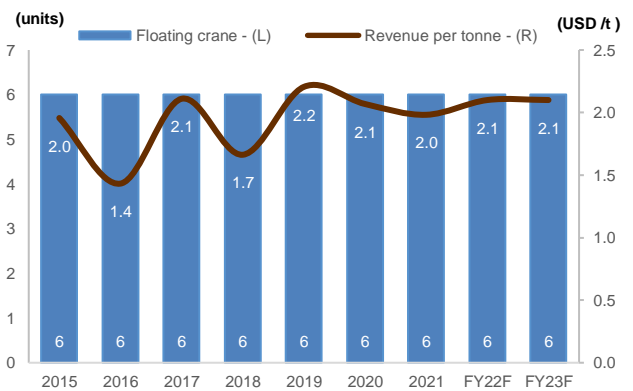
Source: Company, KISI

Fig 5. MBSS tug & barges units & revenue per tonne



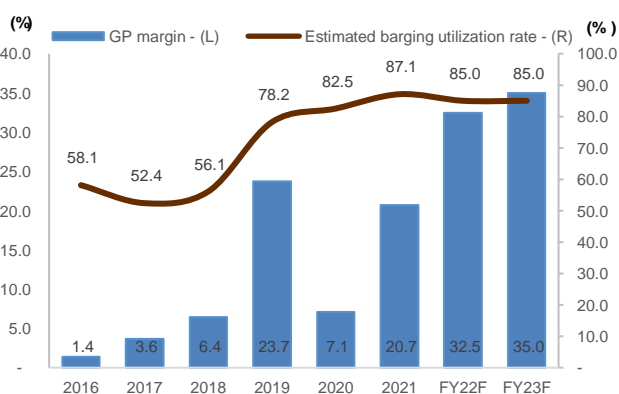
Source: Company, KISI

Fig 6. MBSS floating crane units & revenue per tonne



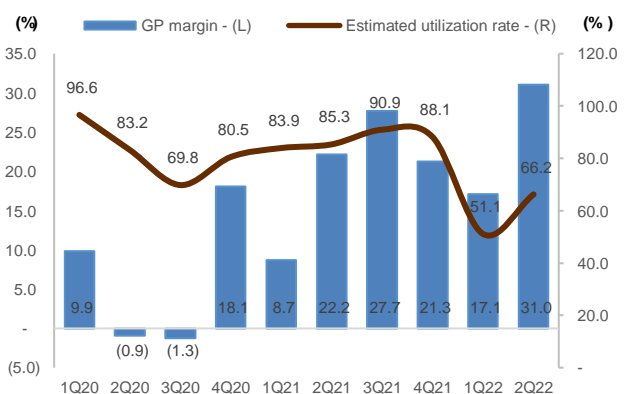
Source: Company, KISI

Fig 7. MBSS GP margin & est. utilization rate (annual)



Source: Company, KISI

Fig 8. MBSS' GP margin & est. utilization rate (quarterly)

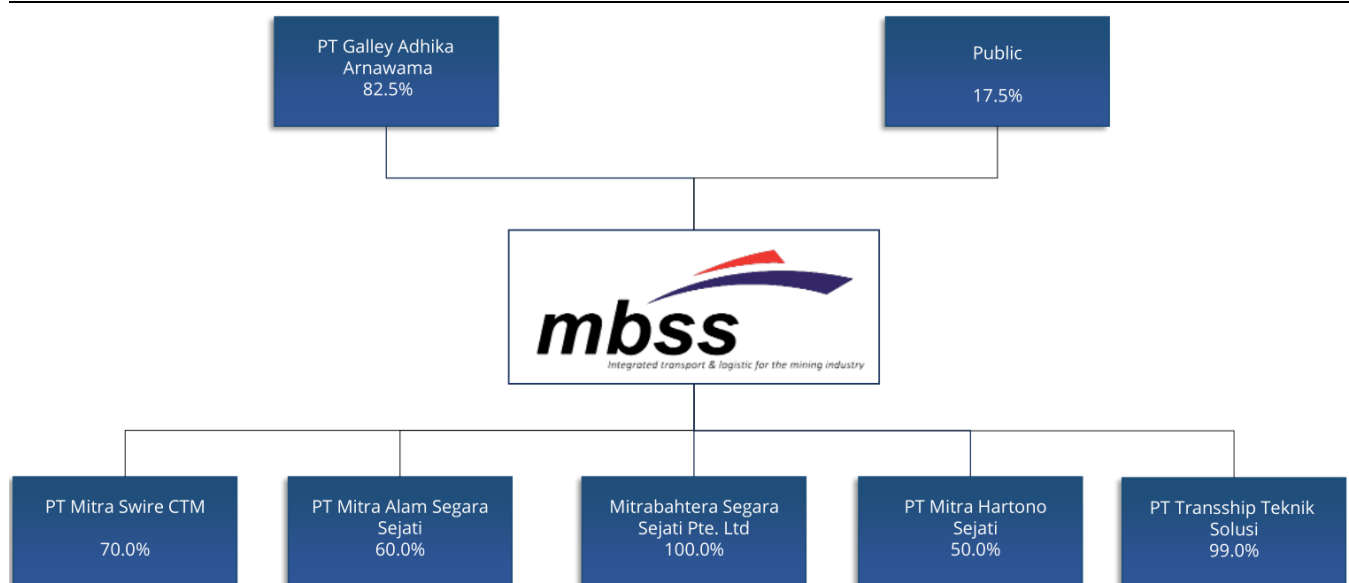


Source: Company, KISI

Company Overview

PT. Mitrabahtera Segara Sejati Tbk (MBSS) was established in 1994 as a shipping company. Over time, MBSS expanded its facilities, fleets, and overall services to become a leading Indonesian integrated maritime transportation and transshipment services provider and successfully listed on the Indonesia Stock Exchange in 2011. MBSS continues to provide integrated solutions and marine transport for bulk materials, particularly coal for top-tier producers such as Adaro Energy, Cotrans, Kideco, Asia Bulk Logistics, etc.

Fig 9. MBSS corporate structure per end of Dec2021



Source: Company's presentation, KISI

Balance sheet (USD mn)

FY-ending Dec. (US\$ m)	2020A	2021A	2022F	2023F	2024F
Current assets					
Cash & cash equivalent	35.2	27.2	58.5	100.2	100.3
Accounts & other receivables	12.1	10.8	30.6	20.0	37.8
Inventories	2.4	3.2	4.0	4.0	4.0
Others	4.1	3.2	3.2	3.2	3.2
Non-current assets					
Fixed assets	140.7	132.6	129.6	135.5	137.3
Intangible assets	-	-	-	-	-
Investment properties	-	-	-	-	-
Other non-current assets	0.4	0.5	-	-	-
Total assets	194.9	177.6	225.9	262.8	282.5
Current liabilities					
Accounts & other payables	7.3	3.8	10.2	8.1	12.7
ST debt	6.0	7.0	8.0	9.0	10.0
Current portion of LT debt	15.6	-	-	-	-
Others	2.6	2.2	2.2	2.2	2.2
Non-current liabilities					
LT debt	9.4	-	20.0	40.0	40.0
Notes payable	-	-	-	-	-
Employee benefits liability	-	-	-	-	-
Other non-current liabilities	3.1	2.5	4.0	5.0	7.0
Total liabilities	44.1	15.5	44.4	64.3	71.9
Controlling interest					
Capital stock	26.7	26.7	26.7	26.7	26.7
Additional paid-in capital	33.6	33.6	33.6	33.6	33.6
Other equities	(3.7)	(3.5)	(3.5)	(3.5)	(3.5)
Retained earnings	88.2	99.7	120.2	137.1	150.2
Minority interest	12.0	12.6	13.0	13.5	14.0
Shareholders' equity	144.8	156.5	177.0	193.9	207.0
Cash flow (USDmn)					
FY-ending Dec. (US\$ m)	2020A	2021A	2022F	2023F	2024F
C/F from operating					
Net profit	(15.0)	11.5	20.5	32.3	37.3
Depreciation	21.4	20.7	23.3	27.4	31.6
Net incr. in W/C	10.7	(8.6)	(14.2)	8.6	(13.2)
Others	-	-	-	-	-
C/F from investing					
CAPEX	(14.0)	(8.4)	(22.3)	(35.3)	(35.3)
Others	4.4	2.5	4.0	4.0	4.0
C/F from financing					
Incr. in equity	-	-	-	-	-
Incr. in debts	(0.5)	(25.0)	20.0	20.0	-
Dividends	-	-	-	(15.3)	(24.2)
Others	(12.1)	(0.7)	-	-	-
C/F from others					
Increase in cash	(5.0)	(8.0)	31.3	41.6	0.1

Income statement (USD mn)

FY-ending Dec. (US\$ m)	2020A	2021A	2022F	2023F	2024F
Sales	54.9	73.4	93.2	126.4	144.3
COGS	(51.0)	(58.2)	(62.9)	(82.2)	(93.8)
Gross profit	3.9	15.2	30.3	44.2	50.5
SG&A expense	(10.6)	(7.4)	(8.5)	(10.1)	(11.7)
Operating profit	(6.7)	7.8	21.8	34.1	38.9
Financial income					
Interest income	0.7	0.3	1.0	1.6	2.0
Financial expense					
Interest expense	(2.3)	(0.7)	(1.0)	(1.6)	(1.6)
Other non-operating profit	(6.0)	5.6	(0.2)	(0.2)	(0.2)
Earnings before tax	(14.3)	13.0	21.6	33.8	39.1
Final taxes	(0.7)	(0.9)	(1.2)	(1.6)	(1.8)
Net profit	(15.0)	11.5	20.5	32.3	37.3
Non-controlling interest	0.0	0.6	-	-	-
Other comprehensive profit					
Total comprehensive profit					
Total comprehensive profit of controlling interest					
EBITDA	9.5	34.6	46.1	63.1	72.5

Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
per share data (USD)					
EPS	-0.0086	0.0066	0.0117	0.0184	0.0213
BPS	0.0896	0.0966	0.1086	0.1185	0.1263
DPS	-	-	0.0088	0.0138	0.0160
Growth (%)					
Sales growth	(29.5)	33.8	27.0	35.6	14.2
OP growth	NM	NM	179.3	56.1	14.0
NP growth	NM	NM	78.0	57.7	15.5
EBITDA growth	(66.1)	265.4	33.2	36.9	14.9
Profitability (%)					
OP margin	(12.2)	10.6	23.4	27.0	26.9
NP margin	(27.3)	15.7	22.0	25.5	25.8
EBITDA margin	17.3	47.1	49.4	49.9	50.2
ROA	(7.3)	6.2	10.1	13.2	13.7
ROE	(9.1)	7.1	11.4	16.2	17.4
Dividend yield	-	-	12.0	18.9	-
Dividend payout ratio	-	-	-	75.0	75.0
Stability					
Net debt (US\$ m)	(10.2)	(27.2)	(38.5)	(60.2)	(60.3)
Int.-bearing debt/equity (%)	16.0	-	10.5	19.3	18.1
Valuation (X)					
PE	(9.2)	11.9	6.6	4.0	3.4
PB	0.9	0.8	0.7	0.6	0.6
EV/EBITDA	14.6	3.5	2.3	1.3	1.1

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