

# Mitrabahtera Segara Sejati (MBSS)

## Too much cash to handle

### Divested two more floating cranes as part of its fleet rejuvenation...

MBSS sold two units of floating crane (FC) barges; 1) "Nicholas" (20k tpd capacity) for USD6.25mn on 29Nov2022 and 2) "Vittoria" (50k tpd capacity) for USD15.25mn on 1Dec2022; to Pelita Samudera Shipping (PSSI) subsidiary Pusaka Luatan Berlian. This is part of MBSS' fleet rejuvenation and revenue streamlining program to focus more on barging segment. Earlier on 22Jul2022, MBSS sold 1 unit floating crane barge "Ben Glory" (20k tpd capacity) to PSSI for USD4.4mn.

### ...provides room for a much higher dividend payout

Recent large divestments of its FC units as described above would slash MBSS' FY23/24F FC sales volume by 43%, which subsequently reduce both our FY23/24F revenue and net profit estimates by 10% and 13%, respectively. On the flip side, proceeds from these divestments would pad up MBSS's cash position to an unprecedented level above USD 80mn (~55% of its current market capitalization). Considering its strong operational cashflow (given the shortage in tug & barges serving commodities sector) and decent but not too aggressive capex expansion (due to the shipyard's limitation to take new orders), we see a potential for much higher dividend payout going forward from our current expectations of 75% DPR starting next year.

### Consolidated its subsidiaries to minimize minority interests

On other corporate actions, on 1Dec2022, MBSS signed Sale & Purchase Agreement (SPA) to acquire 29% additional stakes of its subsidiary Mitra Swire CTM for USD5.32mn, which would result in MBSS controlling 99% stakes. This follows a similar corporate action on 17Mar2022, in which MBSS acquired additional 39% stakes of its subsidiary Mitra Alam Segara Sejati (MASS) for USD3.47mn to increase its stakes to 99%. These corporate actions would minimize MBSS' minority interests in both income statement and balance sheet from FY23 onwards.

### Maintain BUY call with slightly lower TP

We tweaked our DCF valuation to reflect the corporate actions done in the past week resulting in a new MBSS' fair value of USD203mn (or equivalent to IDR1,770/share), implying 9x FY23F PE. We expect MBSS to deliver a sizable 42% CAGR earnings between FY21 and FY24 from 1) steady business in coal sector and 2) increasing contribution from nickel transport, which started in 3Q22.

	2020A	2021A	2022F	2023F	2024F
Sales (USD mn)	54.9	73.4	86.7	105.6	127.9
GP (USD mn)	3.9	15.2	26.0	34.3	44.8
OP (USD mn)	(6.7)	7.8	19.5	26.5	36.0
NP (USD mn)	(15.0)	11.5	17.7	22.8	32.7
EBITDA (USD mn)	9.5	34.6	42.4	55.5	70.2
Net debt (USD mn)	(10.2)	(27.2)	(78.2)	(71.9)	(74.1)
OP margin (%)	(12.2)	10.6	22.5	25.1	28.1
ROE (%)	(9.1)	7.1	10.2	12.6	16.8
Dividend yield (%)	-	-	9.0	11.6	16.6
EPS (USD)	(0.0086)	0.0066	0.0101	0.0130	0.0187
chg. (% YoY)	NM	NM	53.6	29.3	43.4
BPS (USD)	0.0896	0.0966	0.1011	0.1066	0.1156
DPS (USD)	-	-	0.0076	0.0098	0.0140
PE (x)	(10.6)	13.7	8.8	6.5	4.5
PB (x)	1.0	0.9	0.9	0.8	0.7
EV/EBITDA (x)	16.8	4.1	1.6	1.4	1.1

## Company Update

### Transportation

Dec 5, 2022

12M rating **BUY (Maintain)**  
12M TP **IDR 1,770** (Prev 1,800)  
Upside **+40%**

#### Stock Data

JCI (Dec 2)	7,020
Stock price (Dec 2, IDR)	1,280
Market cap (IDR bn)	2,214
Shares outstanding (mn)	1,750
52-week high/low (IDR)	1,550 / 755
6M avg. daily turnover (IDR bn)	0.8
Free float (%)	12.3

#### Major shareholders (%)

Galley Adhika Arnawama	82.5
Suwantara Gotama	5.2

#### Performance

	1M	6M	12M
Absolute (%)	0.0	(8.9)	50.9
Relative to JCI (%p)	(0.8)	(6.6)	41.2

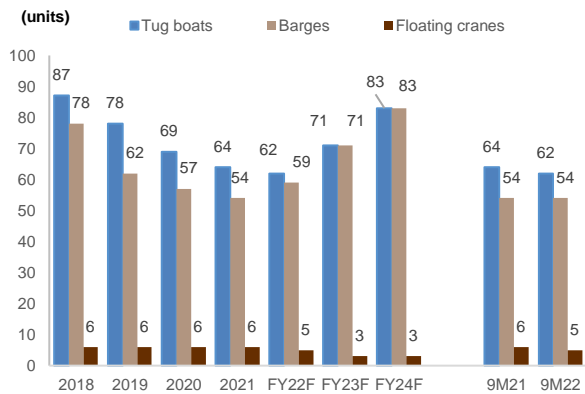
#### MBSS stock price



Source: Bloomberg

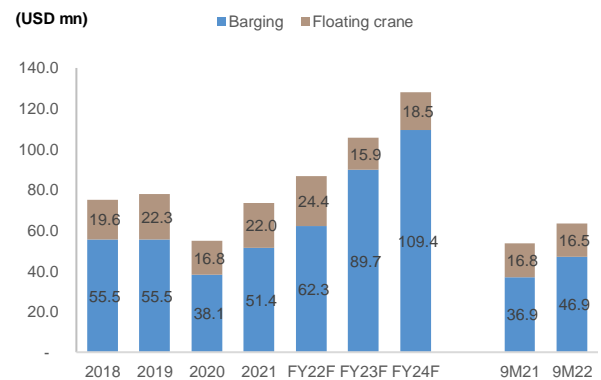
**Edward Tanuwijaya**  
[edward.t@kisi.co.id](mailto:edward.t@kisi.co.id)

Fig 1. MBSS' fleets



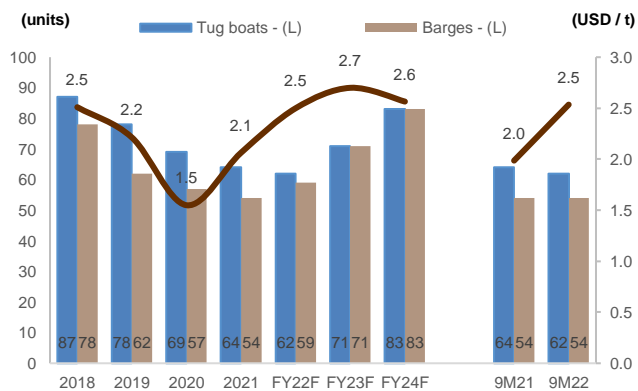
Source: Company, KISI

Fig 2. MBSS' revenue breakdown



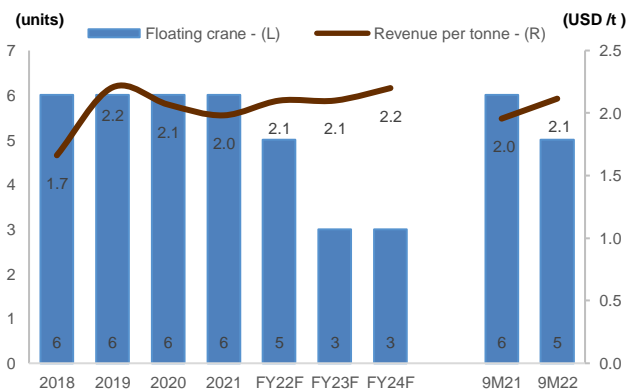
Source: Company, KISI

Fig 3. MBSS tug & barges units & revenue per tonne



Source: Company, KISI

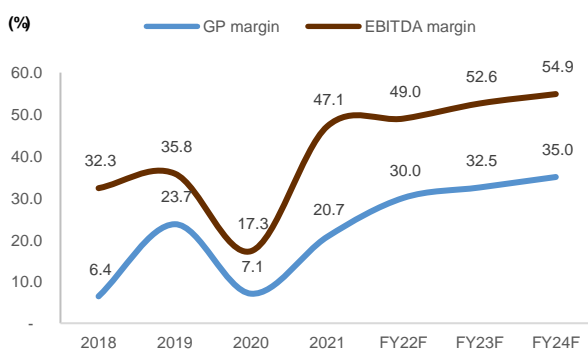
Fig 4. MBSS floating crane units & revenue per tonne



Source: Company, KISI

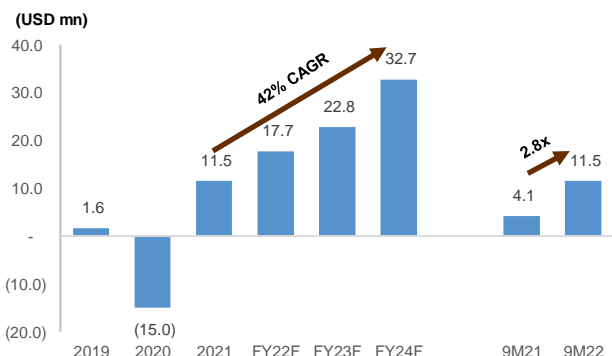
Note: Floating crane "Ben Glory" was sold on 22Jul2022, floating crane "Nicholas" was sold on 29Nov2022, floating crane "Vittoria" was sold on 1Dec2022

Fig 5. MBSS' GP & EBITDA margins trend



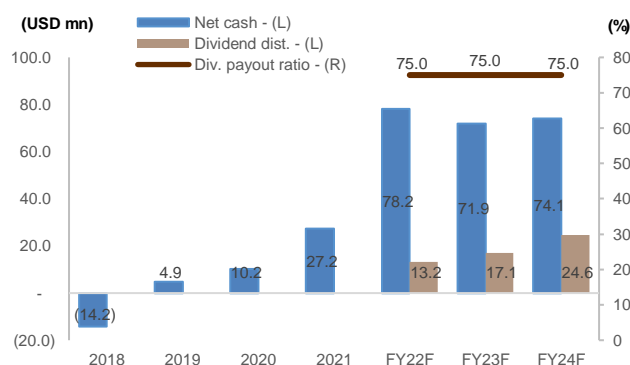
Source: Company, KISI

Fig 6. On a right track to significant earnings recovery



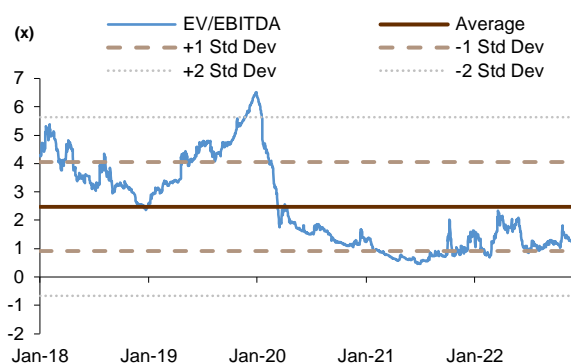
Source: Company, KISI

Fig 9. MBSS' net cash position & expected div. payout



Source: Company, KISI

Fig 10. MBSS's EV/EBITDA band



Source: Bloomberg, KISI

Table 2. MBSS's DCF estimates

Assumptions		Equity Value calculation		
Beta	1.0	Enterprise value (USD mn)	131	
Equity Risk Premium	5.0%	Net debt (USD mn)	(72)	
Risk Free Rate (RFR)	7.0%	Equity Value (USD mn)	203	
Cost of Equity	12.0%	Shares outstanding (bn)	1.8	
Cost of Debt	8.0%			
Tax	22.0%	Equity value per share (IDR)	1,770	
Cost of Debt (adjusted for tax)	6.2%			
Equity Portion	80.8%			
Debt Portion	19.2%			
WACC	10.9%			
DCF Valuation (USD mn)	2022F	2023F	2024F	2025F
EBITDA	42.4	55.5	70.2	75.9
Tax	(1.6)	(2.0)	(2.4)	(2.5)
Capex	(12.0)	(42.0)	(42.0)	(49.8)
Other expenditures	(3.0)	(8.4)	(8.4)	(10.0)
Free cash flow	25.8	3.2	17.4	13.6
TV in 2025				124.6

Source: KISI

Table 3. MBSS's peers valuation

Company	Bloomberg code	Market cap	PE (x)		EV/EBITDA (x)		ROE (%)		Div. yield (%)
		US\$m	FY22F	FY23F	FY22F	FY23F	FY22F	FY22F	
Mitrabahtera Segara Sejati Tbk	MBSS.U Equity	143.8	8.8	6.5	1.6	1.4	10.2	9.0	
Trans Power Marine Tbk	TPMA.U Equity	85.2	6.0	5.1	3.0	2.5	17.5	9.2	
Pelita Samudera Shipping Tbk	PSSI.U Equity *	197.0	6.3	5.5	4.4	3.9	22.7	4.9	
Rig Tenders Indonesia Tbk	RIGS.U Equity *	20.4	4.4	3.9	1.6	1.4	11.2	-	
<b>Average peers</b>			<b>6.1</b>	<b>5.3</b>	<b>3.8</b>	<b>3.3</b>	<b>20.5</b>	<b>5.8</b>	

Source: Bloomberg, KISI

Note: \* not under KISI coverage – valuation is estimated based on Bloomberg data

**Table 4. Summary of changes in assumptions**

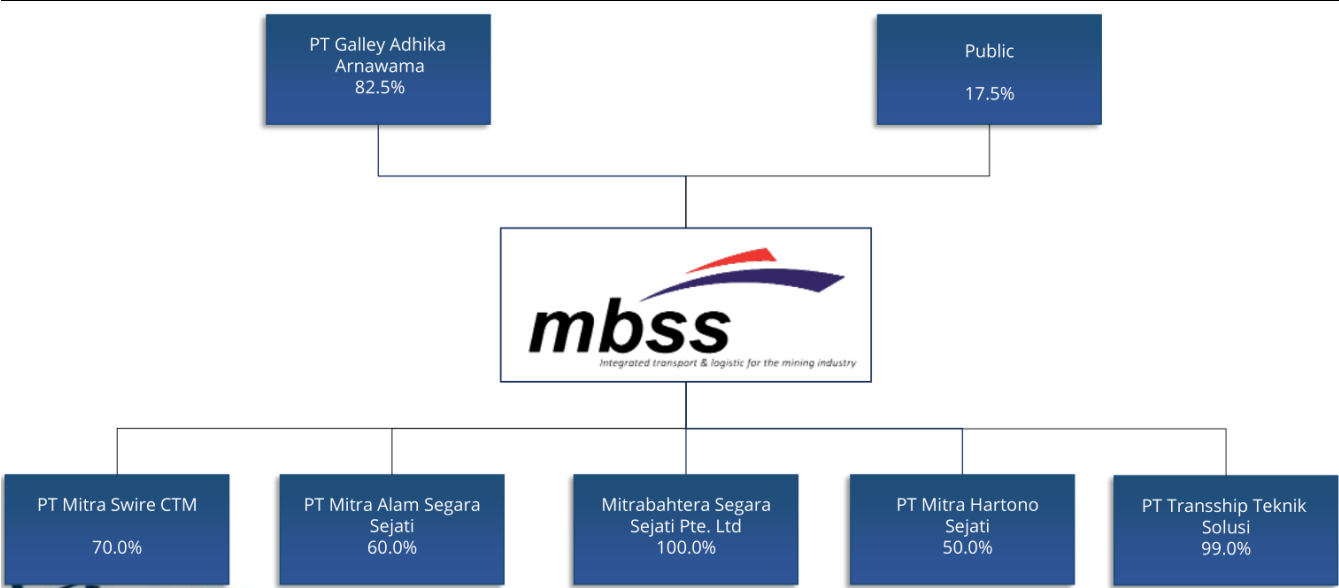
Assumptions	Unit	Revised			Previous		
		FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Barging volume	mn tonnes	24.9	33.2	42.7	24.9	33.2	42.7
Change (%)		0%	0%	0%			
Floating crane volume	mn tonnes	11.6	7.6	8.4	11.6	13.3	14.8
Change (%)		0%	-43%	-43%			
Barging rate per t	USD/t	2.5	2.7	2.6	2.5	2.7	2.6
Change (%)		0%	0%	0%			
Floating crane rate per t	USD/t	2.1	2.1	2.2	2.1	2.1	2.2
Change (%)		0%	0%	0%			
Revenue	USDmn	86.7	105.6	127.9	86.7	117.7	141.9
Change (%)		0%	-10%	-10%			
Gross profit	USDmn	26.0	34.3	44.8	26.0	38.2	49.7
Change (%)		0%	-10%	-10%			
Operating profit	USDmn	19.5	26.5	36.0	19.5	30.4	40.9
Change (%)		0%	-13%	-12%			
EBITDA	USDmn	42.4	55.5	70.2	42.4	59.1	74.9
Change (%)		0%	-6%	-6%			
Net profit	USDmn	17.7	22.8	32.7	17.7	26.2	37.2
Change (%)		0%	-13%	-12%			
<b>Target price</b>	<b>IDR</b>	<b>1,770</b>			<b>1,800</b>		
Change (%)		-2%					
<b>Recommendation</b>		<b>BUY</b>			<b>BUY</b>		

Source: 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 11. MBSS corporate structure per end of Dec2021



Source: Company's presentation, KISI

## Balance sheet (USD mn)

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>Current assets</b>					
Cash & cash equivalent	35.2	27.2	89.8	116.2	109.6
Accounts & other receivables	12.1	10.8	15.9	17.9	24.7
Inventories	2.4	3.2	3.5	3.5	3.5
Others	4.1	3.2	2.5	2.5	2.5
<b>Non-current assets</b>					
Fixed assets	140.7	132.6	94.3	107.3	115.3
Intangible assets	-	-	-	-	-
Investment properties	-	-	-	-	-
Other non-current assets	0.4	0.5	-	1.0	3.0
<b>Total assets</b>	<b>194.9</b>	<b>177.6</b>	<b>205.9</b>	<b>248.4</b>	<b>258.5</b>
<b>Current liabilities</b>					
Accounts & other payables	7.3	3.8	5.9	7.1	10.4
ST debt	6.0	7.0	8.0	9.0	10.0
Current portion of LT debt	15.6	-	1.8	2.3	8.9
Others	2.6	2.2	10.5	10.5	10.5
<b>Non-current liabilities</b>					
LT debt	9.4	-	9.8	42.0	26.6
Notes payable	-	-	-	-	-
Employee benefits liability	-	-	-	-	-
Other non-current liabilities	3.1	2.5	1.0	-	-
<b>Total liabilities</b>	<b>44.1</b>	<b>15.5</b>	<b>36.9</b>	<b>70.9</b>	<b>66.4</b>
<b>Controlling interest</b>					
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)	(1.2)	(1.2)	(1.2)
Retained earnings	88.2	99.7	117.4	127.0	142.6
Minority interest	12.0	12.6	0.4	0.5	0.6
<b>Shareholders' equity</b>	<b>144.8</b>	<b>156.5</b>	<b>176.5</b>	<b>186.1</b>	<b>201.7</b>
<b>Cash flow (USDmn)</b>					
FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>C/F from operating</b>					
Net profit	(15.0)	11.5	17.7	22.8	32.7
Depreciation	21.4	20.7	22.0	27.0	32.0
Net incr. in W/C	10.7	(8.6)	5.7	(0.9)	(3.4)
Others	-	-	-	-	-
<b>C/F from investing</b>					
CAPEX	(14.0)	(8.4)	(12.0)	(42.0)	(42.0)
Others	4.4	2.5	17.6	-	-
<b>C/F from financing</b>					
Incr. in equity	-	-	-	-	-
Incr. in debts	(0.5)	(25.0)	11.6	32.7	(8.9)
Dividends	-	-	-	(13.2)	(17.1)
Others	(12.1)	(0.7)	-	-	-
<b>C/F from others</b>					
Increase in cash	(5.0)	(8.0)	62.6	26.4	(6.7)

## Income statement (USD mn)

FY-ending Dec	2020A	2021A	2022F	2023F	2024F
Sales	54.9	73.4	86.7	105.6	127.9
COGS	(51.0)	(58.2)	(60.7)	(71.3)	(83.1)
<b>Gross profit</b>	<b>3.9</b>	<b>15.2</b>	<b>26.0</b>	<b>34.3</b>	<b>44.8</b>
SG&A expense	(10.6)	(7.4)	(6.5)	(7.8)	(8.8)
<b>Operating profit</b>	<b>(6.7)</b>	<b>7.8</b>	<b>19.5</b>	<b>26.5</b>	<b>36.0</b>
<b>Financial income</b>					
Interest income	0.7	0.3	1.0	2.1	2.2
<b>Financial expense</b>					
Interest expense	(2.3)	(0.7)	(1.0)	(3.5)	(2.8)
Other non-operating profit	(6.0)	5.6	(0.2)	(0.2)	(0.2)
<b>Earnings before tax</b>	<b>(14.3)</b>	<b>13.0</b>	<b>19.3</b>	<b>24.8</b>	<b>35.1</b>
Final taxes	(0.7)	(0.9)	(1.1)	(1.3)	(1.6)
<b>Net profit</b>	<b>(15.0)</b>	<b>11.5</b>	<b>17.7</b>	<b>22.8</b>	<b>32.7</b>
Non-controlling interest	0.0	0.6	-	-	-
<b>Other comprehensive profit</b>					
Total comprehensive profit					
Total comprehensive profit of controlling interest					
<b>EBITDA</b>	<b>9.5</b>	<b>34.6</b>	<b>42.4</b>	<b>55.5</b>	<b>70.2</b>

## Key financial data

FY-ending Dec.	2020A	2021A	2022F	2023F	2024F
<b>per share data (USD)</b>					
EPS	-0.0086	0.0066	0.0101	0.0130	0.0187
BPS	0.0896	0.0966	0.1011	0.1066	0.1156
DPS	-	-	0.0076	0.0098	0.0140
<b>Growth (%)</b>					
Sales growth	(29.5)	33.8	18.1	21.8	21.1
OP growth	NM	NM	149.3	36.0	35.7
NP growth	NM	NM	53.6	29.3	43.4
EBITDA growth	(66.1)	265.4	22.7	30.9	26.3
<b>Profitability (%)</b>					
OP margin	(12.2)	10.6	22.5	25.1	28.1
NP margin	(27.3)	15.7	20.4	21.6	25.6
EBITDA margin	17.3	47.1	49.0	52.6	54.9
ROA	(7.3)	6.2	9.2	10.1	12.9
ROE	(9.1)	7.1	10.2	12.6	16.8
Dividend yield	-	-	9.0	11.6	16.6
Dividend payout ratio	-	-	-	75.0	75.0
<b>Stability</b>					
Net debt (USD mn)	(10.2)	(27.2)	(78.2)	(71.9)	(74.1)
Int.-bearing debt/equity (%)	16.0	-	6.5	23.7	17.5
<b>Valuation (X)</b>					
PE	(10.6)	13.7	8.8	6.5	4.5
PB	1.0	0.9	0.9	0.8	0.7
EV/EBITDA	16.8	4.1	1.6	1.4	1.1

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