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Research Center

Morning KISI/

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Trans Power Marine (TPMA)

An ironclad business model

Prominent bulk material transportation service provider

TPMA has grown rapidly since its establishment in 2005 to become one of the leading inter-island bulk carrier and transshipment service providers in Indonesia. TPMA competes in this low-barrier-to-entry business by providing cost-efficient and timely bulk materials transportation services for prominent domestic coal miners, cement producers, state-owned electricity companies, and wood-processing companies. Both “asas cabotage” & a 49% foreign ownership cap limit for sea transportation business provide a competitive safeguard for local players like TPMA.

Solid existing business to provide a high revenue base

The outstanding performance of coal transportation service providers should continue in 2023 considering higher growth indication for domestic coal production (vs. last 4 years) with market’s growing expectation of China’s reopening. We expect TPMA’s barging revenue from existing business to grow ~14% next year (vs. 12.5% CAGR between 2018 and 2022e).

Sizable potential future growth beyond 2023 from nickel-related

Indonesia’s huge investment in nickel smelters started to show significant results with surging demand for nickel ore (a staggering 48% CAGR between 2015 and 2022) to be delivered to nickel smelters. Currently, there are 13 operational nickel smelters and several projects are scheduled to come online in the next 3 to 5 years. TPMA has laid the groundwork for rapid future growth drivers beyond 2023 by teaming up with PT Pacifik Pelayaran Indonesia (PPI) and T&J Industrial Holding Limited to purchase 60 sets of tug and barges in stages within 4 years to transport mainly nickel ores and products.

Initiate coverage on the counter offering a massive 55% upside

TPMA is on track to book a record high quarterly earnings of ~USD5mn in 4Q22, to bring its FY22 net profit at ~USD14.6mn (3.7x YoY). Amid favorable conditions (i.e. shortage in barges) with plenty demand of coal & nickel ore going forward, we expect TPMA to deliver a staggering 54% CAGR earnings between FY21 and FY25. We utilized DCF valuation to derive TPMA’s fair value of USD118mn (or equivalent to IDR700/sh), implying a decent 7x FY23F PE and 3.5x FY23F EV/EBITDA. Solid balance sheet & strong op. cashflow generation of ~USD30mn p.a. allows higher dividend payout going forward.

	2020A	2021A	2022F	2023F	2024F
Sales (USD mn)	39.8	42.0	67.5	75.9	78.0
GP (USD mn)	7.8	9.4	21.3	23.5	23.8
OP (USD mn)	4.2	5.5	16.8	18.6	18.7
NP (USD mn)	2.1	4.0	14.6	17.2	19.7
EBITDA (USD mn)	14.4	16.8	27.9	31.0	34.3
Net debt (USD mn)	14.7	6.3	(3.7)	(10.1)	(15.5)
OP margin (%)	10.7	13.1	24.9	24.5	24.0
ROE (%)	2.7	5.1	17.5	18.3	19.0
Dividend yield (%)	4.8	2.8	10.2	11.4	12.5
EPS (USD)	0.0008	0.0015	0.0055	0.0065	0.0075
chg. (%., YoY)	-74.7	89.9	268.4	17.9	14.8
BPS (USD)	0.0292	0.0293	0.0340	0.0375	0.0416
DPS (USD)	0.0015	0.0008	0.0030	0.0034	0.0037
PE (x)	40.3	21.0	5.4	4.6	4.0
PB (x)	1.1	1.1	0.9	0.8	0.7
EV/EBITDA (x)	6.9	5.3	2.7	2.2	1.8

12M rating **BUY (Initiate)**

12M TP **IDR 700**

Upside **55.5%**

Stock Data

JCI (Nov 23)	7,054
Stock price (Nov 23, IDR)	450
Market cap (IDR bn)	1,185
Shares outstanding (mn)	2,633
52-week high/low (IDR)	515 / 300
6M avg. daily turnover (IDR bn)	3.6
Free float (%)	29.8

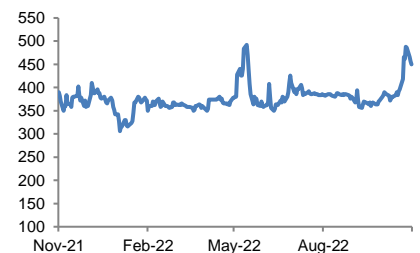
Major shareholders (%)

Dwitunggal Perkasa Mandiri	57.8
Standard Chartered PLC	6.8
Ascend Bangun Persada	4.6

Performance

	1M	6M	12M
Absolute (%)	22.6	27.3	18.4
Relative to JCI (%)	20.3	15.4	7.6

TPMA stock price



Source: Bloomberg

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Market Commentary

Market Commentary

JCI finished with small gains on Wednesday, after hovering modestly higher almost the whole session, while China Covid and Fed minutes later today remain weighing on risk appetite.

- Big bank and commodity stocks keep the index afloat, while tech stocks continued to weigh on the index.
- Sectoral mixed with Energy, Financials, and Property helped to keep the index afloat, while Tech, Industrials, and Infrastructures were lags.
- RUPIAH -0.06% at 15,688 against USD.
- BBRI IJ +1.74%, BMRI IJ +0.74% contributed to index gains, while BBYB IJ +8.05% outperformed most among the peers after the placement at @900.
- Panin stocks were on the move again amid speculation of M&A progress. PNBNI IJ +2.94%, PNLFI IJ +3.92%, PNINI IJ +7.24%.
- Coal stocks lead other commodity stocks on the green. ADRO IJ +1.35%, INCO IJ +2.86%, HRUM IJ +2.12%.
- BUMI IJ +3.72% extended their winning streak after Moody upgraded BUMI's debt rating to B3 with a stable outlook after USD1.6bn debt repayment from the private placement.
- UNTR IJ +2.33% as the Co. is likely to meet their heavy equipment FY sales target, with 10M22 sales +96% YoY
- BYAN IJ +2.11% closed at a new record high after getting an approval plan for a 10-for-1 stock split.
- GOTO IJ -2.55%, extended their decline after 3Q results and ahead of the end of its lockup period.
- Top value were: BBKA IJ -0.28%, BBRI IJ +1.74% IJ, BUMI IJ +3.72%
- Top Gainers : BBRI (+1.74%), SMMA (+6.49%), BYAN (+2.11%)
- Top Losers: GOTO (-2.55%), TLKM (-0.75%), BBKA (-0.28%)

News

Macroeconomic, Sector and Corporate News

- ASII – Subsidiary Astra Land Indonesia plans to develop new residential project (est. IDR6tn) in Cikupa, Banten. (Investor daily)
- WEGE – Targets FY23 new contracts of IDR8.4tn (+20% YoY). (Investor daily)
- CENT – Subsidiary PT Centratama Menara Indonesia (CMI) completed 289 towers acquisition for IDR 631bn from PT Lasmana Swasti Prashida and PT Technindo Global Fortace. (Investor daily)
- ADHI – Booked 10M22 new contracts of IDR 19.1tn, +51% YoY. (Kontan)
- SSIA – Recorded 9M22 net profit of IDR70.8bn (vs 9M21 net loss of IDR269bn). (Bisnis)

Outliers

Outlier Stocks

- Sharp Movers (Up) : RII (+21.3%), AXIO (+19.3%), BPTR (+16.2%)
- Sharp Movers (Down) : PICO (-7%), LEAD (-6.9%), PSKT (-6.8%)

Macro Calendar

November 24, 2022

Mon	Tue	Wed	Thu	Fri
3	4	5	6	7
Korea > Market closed (National Foundation Day) September exports and imports (announced October 1) US> September ISM manufacturing PMI China> Market closed (National Day)	US> August durable goods (F) China> Market closed (National Day)	OPEC+ ministerial meeting Korea> September CPI US> September ISM services PMI MBA mortgage applications China> Market closed (National Day)	US> New jobless claims China> Market closed (National Day)	US> September non-farm payrolls September jobless rate China> Market closed (National Day) September FX reserves
10	11	12	13	14
Korea> Market closed (substitute holiday for Hangul Day) US> Market closed (Columbus Day) China> September Caixin services PMI (announced October 8) Japan> Market closed (Sports Day)	OECD leading economic index	The OPEC Monthly Oil Market Report Korea> MPC meeting US> FOMC minutes release MBA mortgage applications September PPI	Korea> Stock options expiry US> September CPI Initial jobless claims	Korea> September jobless rate US> September retail sales October Michigan Consumer Confidence (P) China> September PPI September CPI September exports and imports September trade balance
17	18	19	20	21
US> October manufacturing index (New York) China> September mining and manufacturing production September retail sales September fixed asset investment 3Q22 GDP Japan> August mining and manufacturing production (F)	US> September industrial production	US> Fed Beige Book release MBA mortgage applications September housing starts Europe> September CPI (F)	US> Initial jobless claims September existing home sales China> PBOC LPR release	Japan> September CPI
24	25	26	27	28
	US> October Conference Board Consumer Expectations Index	US> September new home sales	Korea> 3Q22 GDP (A) US> Initial jobless claims September durable goods orders (P) 3Q22 GDP (A) Europe> ECB MPC meeting	US> September PCE October Michigan Consumer Confidence (F) Japan> BoJ MPC meeting
31				
Korea> September mining and manufacturing production China> October manufacturing PMI October services PMI Europe> October CPI (P) Japan> September manufacturing production (P)				

Note: 1) Figures in parentheses represent the latest reported figures, Bloomberg estimates and previous reported figures

in that order. For example: Data (actual reported figures, Bloomberg estimate, previous reported figures). Bloomberg estimates are subject to change 2) Earnings release date is from Bloomberg or company announcement
