

May 17, 2023



Research Center

Morning KISI/

- Research Company Update: Mitrahaftera Segara Sejati, Tbk (MBSS)
- Market Commentary
- Macro Calendar

Research team

Edward A. Tanuwijaya | edward.t@kisi.co.id | Strategy, Banks, Coal, Real estate
Fahressi Fahalmesta | fahressi.f@kisi.co.id | Nickel, Transportation, Cement, Poultry
Nicholas Kevin Mulyono | nicholas.k@kisi.co.id | CPO, fertilizer
Ika Rahmawati | ika.r@kisi.co.id

Wilbert Ham | wilbert.h@kisi.co.id | Automotive, Telecommunication
Filia A Gladwyn | filia.a@kisi.co.id | Healthcare

Mitrabahtera Segara Sejati (MBSS) Playing catch-up after divestments

Another assets divestments led to underwhelming 1Q23 results

MBSS sold another 9 sets of tug & barges (T&B) in 1Q23 for an estimated amount of USD11.8mn as part of its fleet rejuvenation, after a series of floating cranes (FC) divestments in 2H22 leaving effectively only 45 T&B sets and 1 FC in operation for 1Q23 (as compared to 54 sets of T&B and 6 FC in operations at the end of Jun2022). This led to an underwhelming 1Q23 revenue of USD14mn (down 44% QoQ & 13% YoY) and 1Q23 core net profit of USD1.1mn (down 80% QoQ, forming ~8% of our FY23F estimate).

Expect a much better 2Q23 as new fleets start arriving in Apr2023

The much-anticipated arrivals of its new fleets order (after ~9 months of delay due to overwhelming demand in shipyards) started to materialize with 6 new T&B sets being received in Apr2023. MBSS expects another 10 sets to arrive by end of Jun2023. Considering this and much better weather for shipment starting in early 2Q23, we expect MBSS to have a much better quarterly operational performance from 2Q23 onwards to book a 13% YoY core net profit growth for FY23

Massive cash position opens up avenues for diversification

Large assets divestments since Jul2022 have significantly padded up MBSS' cash coffers by USD58.1mn, which led to an unprecedented USD100mn net cash position at the end of Mar2023 (~67% of its current market capitalization). However, on the flip side, this series of asset divestments would further reduce our FY23/24F revenue and net profit estimates by 21%/28% and 14%/20%, respectively. Considering its strong operational cashflow (given the shortage in tug & barges serving commodities sector) and decent but not too aggressive capex expansion (due to shipyards' limitation to take new orders), we see a potential for a much higher dividend payout going forward yielding more than 10% p.a. (unless MBSS has plans to diversify into other relevant segments).

Retain BUY call with lower fair value at IDR1,650/sh

We revised down our DCF valuation to reflect recent divestments and the updated timeline for new fleets delivery resulting in a new MBSS' fair value of USD189mn (or equivalent to IDR1,650/share), implying 9x FY23F PE and 3x FY23F EV/EBITDA. After a significant performance turnaround starting 4Q21 following changes in controlling shareholders, we expect MBSS to revert to a more normalized earnings growth of 13% CAGR earnings between FY22 and FY25 from 1) steady business in coal sector and 2) increasing contribution from nickel transport, which has started in 3Q22.

	2021A	2022A	2023F	2024F	2025F
Sales (USD mn)	73.4	88.4	76.0	93.6	101.1
GP (USD mn)	15.2	26.4	24.7	32.8	36.9
OP (USD mn)	7.8	21.5	18.5	25.8	29.5
NP (USD mn)	11.6	25.1	19.7	22.2	26.1
EBITDA (USD mn)	28.9	39.3	37.1	47.9	53.3
Net debt (USD mn)	(27.2)	(89.9)	(80.0)	(83.1)	(95.4)
OP margin (%)	10.7	24.3	24.4	27.6	29.2
ROE (%)	7.1	14.1	10.0	10.6	12.1
Dividend yield (%)	-	-	10.6	12.0	14.1
EPS (USD)	0.0066	0.0144	0.0112	0.0127	0.0149
chg. (% YoY)	NM	117.1	(21.7)	12.9	17.7
BPS (USD)	0.0966	0.1063	0.1174	0.1212	0.1260
DPS (USD)	-	-	0.0090	0.0102	0.0119
PE (x)	13.6	6.2	7.2	6.7	5.7
PB (x)	0.9	0.8	0.7	0.7	0.7
EV/EBITDA (x)	4.9	1.3	1.9	1.4	1.0

12M rating **BUY (Maintain)**
12M TP **IDR 1,650** (Prev 1,770)
Upside **+30%**

Stock Data

JCI (May 16)	6,677
Stock price (May 16, IDR)	1,270
Market cap (IDR bn)	2,223
Shares outstanding (mn)	1,750
52-week high/low (IDR)	1,550 / 875
6M avg. daily turnover (IDR bn)	0.4
Free float (%)	12.2

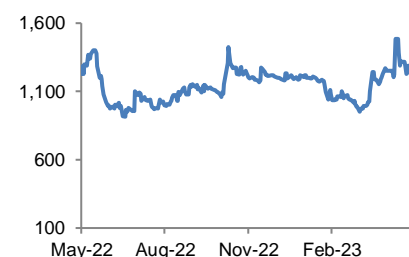
Major shareholders (%)

Galley Adhika Arnawama	82.5
Suwantara Gotama	5.3

Performance

	1M	6M	12M
Absolute (%)	2.0	2.0	0.8
Relative to JCI (%p)	5.4	9.4	0.8

MBSS stock price



Source: Bloomberg

Edward Tanuwijaya
edward.t@kisi.co.id

Market Commentary

Market Commentary

- JCI was settled 35 points lower to end below the 6700 level on Tuesday, as traders remain nervous on concerns over slowing global growth while inflation is still running hot, and a run of regional bank failure has stirred fears of a credit crunch.
- The slowing global growth and tepid China economic recovery keep weighing on commodity stocks and keep the selling mode to most of these counters, and dented the appetite for the broader market.
- Regional equities trimmed their early gains while US futures pointed lower after disappointing China's data, talks about US debt ceiling also added pressures to the market.
- Almost all sectors dragged lower leaving Healthcare to stay afloat. While Basic Materials, Tech, and Energy are among today's top decliners.
- RUIAH +0.13% at 14,820 against USD.
- Big caps largely lower on the close as the gloomy economic outlook overshadow keep traders in a cautious stance. BMRI IJ -1.19%, BBKA IJ -0.85%, ASII IJ -1.18%.
- Overall commodity stocks exhibit a weak tone amid concerns over slowing global demand after disappointing China's data. MDKA IJ -5.86%, INCO IJ -2.04%, ADMR IJ -5.62%, HRUM IJ -3.47%.
- BRIS (-6.98%) extended its steep drop for the second day as a suspected leak of customer data after a hacker attack on their banking system weighed the sentiment.
- Top value were: BBKA (-0,8%), BBNI (-1,6%), BBRI (+0,9%)
- Top Gainers: BBRI (+0,9%), BYAN (+1,4%), KLBF (+2,8%)
- Top Losers: BMRI (-1,1%), MDKA (-5,8%), BBKA (-0,8%)

News

Macroeconomic, Sector and Corporate News

- TAPG – To distribute IDR38/sh dividend (~6.3% yield); allocates IDR920bn for FY23 capex mostly for purchase of heavy equipment, housing construction, and factory needs. (Bisnis)
- INDY – Established new subsidiary PT Kalista Nusa Armada (KNA) for 2W & 4W EVs rental, spare parts & accessories trading and operation of electricity supply installations. (Investor daily)
- INKP - Allocates FY23 capex of USD1bn to construct a new paper mill (target for fully operational in 3Q25). (Kontan)
- TRGU - To distribute dividend of IDR 1.25/sh (~0.6% yield). Cum date: 24May2023. (Kontan)
- INKP – To distribute IDR50/sh dividend (~0.7% yield). (Bisnis)
- TKIM – To distribute IDR25/sh dividend (~0.4% yield). (Bisnis)

Outliers

Outlier Stocks

- Sharp Movers (Up) : OKAS (+34,4%), JARR (+34,4%), ESTA (+16,1%)
- Sharp Movers (Down) : HAJJ (-9,6%), NAYZ (-9,6%), SMKM (-9,4%)

Macro Calendar

May 17, 2023

Mon	Tue	Wed	Thu	Fri
1	2	3	4	5
<p>Korea> Market closed (Labor Day) April trade balance April imports/exports yoy</p> <p>US> April Market manufacturing PMI (F) April ISM manufacturing PMI</p> <p>Japan> April Jibun Bank manufacturing PMI (F)</p> <p>China> Market closed through May 3 (Labor Day)</p>	<p>Korea> April CPI</p> <p>US> March job openings and labor turnover survey March manufacturing orders March durable goods orders (F)</p> <p>Europe> April Markit manufacturing PMI (F) April CPI (P)</p> <p>Japan> April monetary base</p>	<p>US> FOMC meeting (through May 4) April ADP employment chg. April Markit services/composite PMI (F) April ISM services PMI MBA mortgage applications</p> <p>Europe> March jobless rate</p> <p>Japan> Market closed through May 5 (Constitution Memorial Day, etc.)</p>	<p>Korea> April FX reserves</p> <p>US> March trade balance Initial jobless claims Continuing claims for unemployment insurance</p> <p>Europe> ECB MPC meeting March PPI April Markit services/composite PMI (F)</p> <p>China> April Caixin manufacturing PMI</p>	<p>Korea> Market closed (Children's Day)</p> <p>US> April jobless rate April non-farm payrolls April avg. hourly wages April economic activity participation rate</p> <p>Europe> March retail sales</p> <p>China> April Caixin services/composite PMI</p>
8	9	10	11	12
<p>US> March wholesale inventory mom (F)</p> <p>Japan> April Jibun Bank services/composite PMI (F)</p>	<p>US> NFIB small business optimism index</p> <p>China> April trade balance April imports/exports yoy April M2 money supply</p>	<p>Korea> April jobless rate</p> <p>US> April CPI MBA mortgage applications</p>	<p>US> Initial jobless claims Continuing claims for unemployment insurance April PPI</p> <p>China> April CPI/PPI</p> <p>Japan> March current balance</p>	<p>US> May U. of Michigan consumer confidence index (P) May U. of Michigan consumer expectation index (P) May U. of Michigan inflation expectations (P)</p> <p>Japan> April M2 money stock yoy</p>
15	16	17	18	19
<p>US> May New York manufacturing index</p> <p>Europe> March industrial production</p> <p>Japan> April PPI April machine tool orders (P)</p>	<p>US> April retail sales mom April mining and manufacturing production mom April facility utilization rate</p> <p>Europe> 1Q23 GDP (P)</p> <p>China> April mining and manufacturing production April retail sales</p>	<p>US> MBA mortgage applications April housing construction starts April building permits</p> <p>Europe> April CPI (F)</p> <p>Japan> 1Q23 GDP (P) March mining and manufacturing production (F) March facility utilization rate</p>	<p>US> Initial jobless claims Continuing claims for unemployment insurance April existing home sales May Philadelphia Fed economic outlook May economic leading index</p> <p>Japan> April trade balance April imports/exports yoy</p>	<p>Japan> March tertiary industry index mom April nationwide CPI</p>
22	23	24	25	26
<p>Korea> May imports/exports (May1-20)</p> <p>US> March Chicago Fed national activity index April Dallas Fed manufacturing activity index</p> <p>Europe> March construction production May consumer expectation index (P)</p> <p>OECD Economic Outlook</p> <p>Japan> March core machinery orders</p>	<p>US> April new home sales May Markit manufacturing PMI (P) May Markit services/composite PMI (P)</p> <p>Europe> May Markit manufacturing PMI (P) May Markit services/composite PMI (P)</p> <p>Japan> May Jibun Bank manufacturing PMI (P) May Jibun Bank services/composite PMI (P)</p>	<p>Korea> June BSI manufacturing/non-manufacturing index</p> <p>US> FOMC minutes release MBA mortgage applications</p> <p>Japan> April machine tool orders yoy (F)</p>	<p>Korea> BoK MPC meeting April PPI</p> <p>US> Initial jobless claims Continuing claims for unemployment insurance 1Q23 private spending 1Q23 GDP April pending home sales</p>	<p>US> April PCE April durable goods orders (P) April U. of Michigan consumer confidence index (F) April U. of Michigan consumer expectation index (F) April U. of Michigan inflation expectations (F)</p> <p>Japan> May Tokyo CPI May Tokyo core CPI</p>
29	30	31		
<p>Korea> Market closed (substitute holiday)</p> <p>US> Market closed (Memorial Day)</p>	<p>US> FHFA house price index mom May CB consumer expectation index May Dallas Fed manufacturing activity index</p> <p>Europe> May consumer expectation index (F)</p> <p>Japan> April jobless rate</p>	<p>Korea> April mining and manufacturing production</p> <p>US> MBA mortgage applications</p> <p>China> May NBS manufacturing PMI May NBS services/composite PMI</p> <p>Japan> April retail sales April mining and 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