

## Mitrabahtera Segara Sejati (MBSS)

### All's well that ends well

#### Strong domestic coal production continues to fill up barges

Indonesian coal miners' production is at a record-breaking pace and on track to achieve Ministry of Energy & Mineral Resources (MoEMR)'s FY22 target of 663mn tonnes (+6% YoY). 3Q22 domestic production of 184.6mn tonnes (+6% QoQ) is the record high quarterly production ever, bringing 9M22 production volume to 511.8mn tonnes (+11.6% YoY, 77% of FY22 target). Based on seasonality, 4Q production would historically be ~4-5% lower than 3Q due to weather. Nonetheless, this strong coal production continues to be a boon for coal transportation services companies as it keeps fleets utilization at an optimum level.

#### Fleet rejuvenation continues

To increase its operational efficiency, MBSS is in the process of rejuvenating its fleet. YTD-22, MBSS has sold: 1) one floating crane barge unit "Ben Glory" on 22Jul2022 to Pelita Samudera Shipping (PSSI) for USD4.4mn and 2) two tug boats. On the other hand, MBSS stands to receive delivery of 15 units of barges, which are all expected to be fully operational by end of 2022 or early 1Q23. We expect MBSS to operate 71 tug boats & barges sets and 5 floating cranes in FY23, serving both coal and nickel-related sectors; which should translate to ~30% YoY revenue growth next year.

#### Strong results to continue in 4Q22

MBSS' financial performance continues to show significant improvement after a weak 1Q22 (due to the maintenance and dockings of ~30% of its fleet). Given all fleets are operational, MBSS managed to record 3Q22 revenue of USD24.8mn (+10.4% QoQ) and saw its 3Q22 gross profit margin improve further to 33% (+2ppts QoQ) resulting in 60% QoQ net profit jump to USD6.8mn. Refer to Table 1 for more details. For 4Q22, we expect further margin improvement to offset a slight seasonal decline in barging volume, resulting in a flat QoQ net profit.

#### Reiterate BUY call offering 40% upside

We rolled forward our DCF valuation to arrive at MBSS' fair value of USD206mn (or equivalent to IDR1,800/share), implying 8x FY23F PE. High fleets utilization should ensure MBSS generates above 33% gross margins (a level last seen in 2014) for years to come. We expect MBSS to deliver a sizable 48% CAGR earnings between FY21 and FY24 from 1) steady business in coal sector and 2) increasing contribution from nickel transport, which started in 3Q22. MBSS' strong balance sheet (net cash of ~USD47mn at the end of Sep2022) and expected strong operational cashflow generation of ~USD55mn p.a. between FY22 to FY24 should allow a sizable dividend payout from FY23 onwards.

	2020A	2021A	2022F	2023F	2024F
Sales (USD mn)	54.9	73.4	86.7	117.7	141.9
GP (USD mn)	3.9	15.2	26.0	38.2	49.7
OP (USD mn)	(6.7)	7.8	19.5	30.4	40.9
NP (USD mn)	(15.0)	11.5	17.7	26.2	37.2
EBITDA (USD mn)	9.5	34.6	42.4	59.1	74.9
Net debt (USD mn)	(10.2)	(27.2)	(65.5)	(60.2)	(66.3)
OP margin (%)	(12.2)	10.6	22.5	25.9	28.8
ROE (%)	(9.1)	7.1	10.0	13.7	18.0
Dividend yield (%)	-	-	8.9	13.1	-
EPS (USD)	(0.0086)	0.0066	0.0101	0.0150	0.0213
chg. (% YoY)	NM	NM	53.6	48.3	42.1
BPS (USD)	0.0896	0.0966	0.1051	0.1128	0.1231
DPS (USD)	-	-	0.0076	0.0112	0.0159
PE (x)	(10.7)	13.8	8.9	5.7	4.0
PB (x)	1.0	0.9	0.9	0.8	0.7
EV/EBITDA (x)	17.0	4.1	2.2	1.6	1.2

12M rating **BUY (Maintain)**

12M TP **IDR 1,800** (Prev 1,750)

Upside **+40%**

#### Stock Data

JCI (Nov 9)	7,070
Stock price (Nov 9, IDR)	1,280
Market cap (IDR bn)	2,240
Shares outstanding (mn)	1,750
52-week high/low (IDR)	1,550 / 700
6M avg. daily turnover (IDR bn)	1.2
Free float (%)	12.3

#### Major shareholders (%)

Galley Adhika Amawama	82.5
Suwantara Gotama	5.2

#### Performance

	1M	6M	12M
Absolute (%)	13.8	3.2	66.7
Relative to JCI (%p)	13.6	(8.0)	58.9

#### MBSS stock price

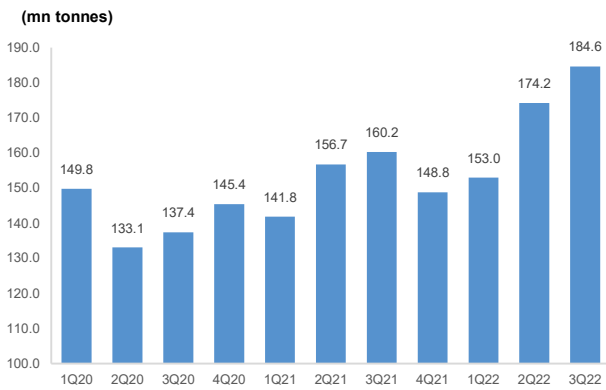


Source: Bloomberg

**Edward Tanuwijaya**

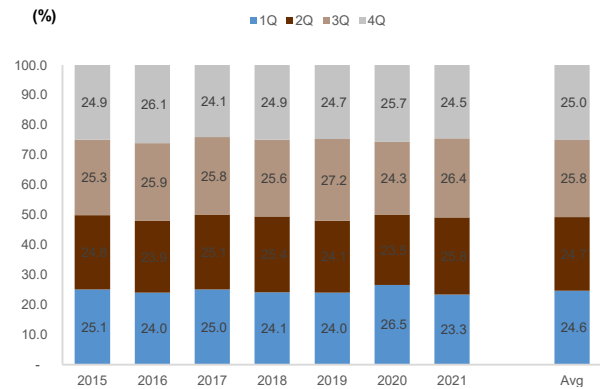
[edward.t@kisi.co.id](mailto:edward.t@kisi.co.id)

Fig 1. Indonesia's quarterly coal production



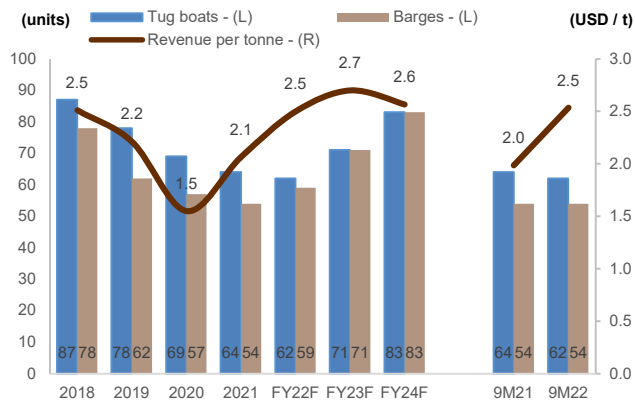
Source: Ministry of Energy & Mineral Resources (MoEMR), KISI

Fig 2. Indonesia's coal production seasonality



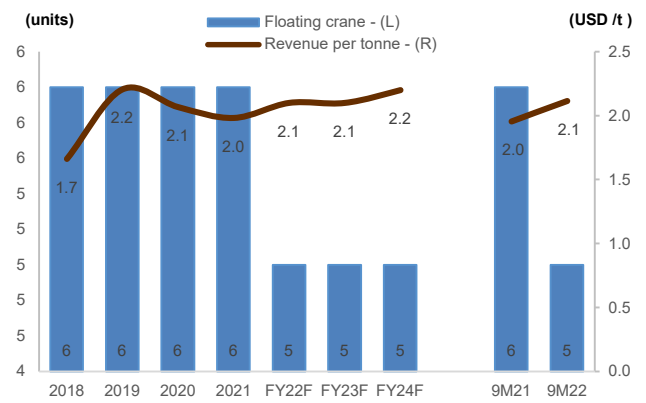
Source: Ministry of Energy & Mineral Resources (MoEMR), KISI

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



Source: Company, KISI

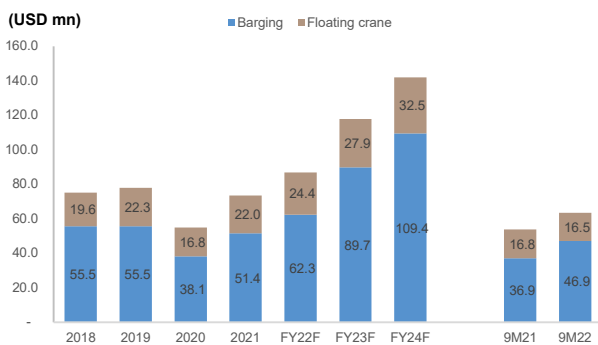
Fig 4. MBSS floating crane units & revenue per tonne



Source: Company, KISI

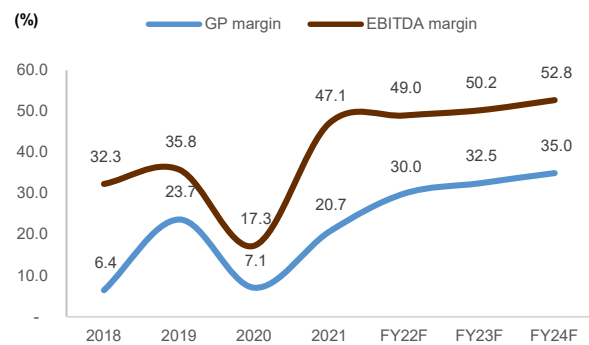
Note: Floating crane "Ben Glory" was sold on 22Jul2022

Fig 5. MBSS' revenue breakdown trend



Source: Company, KISI

Fig 6. MBSS' GP & OP margins trend



Source: Company, KISI

Table 1. 3Q22 results review

MBSS 3Q22 financial results										
	Unit	3Q21	2Q22	3Q22	QoQ	YoY	9M21	9M22	YoY	% of FY22F KISI
Revenue	USD mn	20.4	22.5	24.8	10.4%	21.8%	53.8	63.4	18.0%	73.2%
Gross Profit	USD mn	5.7	7.0	8.2	17.3%	44.8%	11.0	17.9	62.9%	69.0%
Operating Profit	USD mn	4.8	5.4	6.9	27.0%	42.2%	5.8	13.2	129.2%	67.7%
Net Income	USD mn	3.8	4.2	6.8	60.6%	78.1%	4.1	11.5	178.8%	65.2%
GPM		27.7%	31.0%	33.0%			20.5%	28.3%		
OPM		23.7%	24.1%	27.7%			10.7%	20.8%		
NPM		18.8%	18.9%	27.5%			7.7%	18.1%		
MBSS 3Q22 operational results										
	Unit	3Q21	2Q22	3Q22	QoQ	YoY	9M21	9M22	YoY	% of FY22F KISI
Barging vol.	mn t	6.5	6.7	6.4	-4.5%	-1.5%	18.6	18.5	-0.5%	74.3%
Barging rate	USD/t	2.1	2.4	3.0	22.8%	42.4%	2.0	2.5	27.6%	101.4%
Barging revenue	USD mn	13.6	16.2	19.0	17.3%	40.2%	36.9	46.9	26.9%	75.3%
No. of barges	unit	54	54	54	0.0%	0.0%	54	54	0.0%	
Est. utilization rate	%	91%	94%	90%			87%	86%		
FC vol.	mn t	3.4	3.0	2.6	-13.3%	-23.5%	8.6	7.8	-9.3%	67.2%
FC rate	USD/t	2.0	2.1	2.2	6.2%	11.1%	2.0	2.1	8.2%	100.7%
FC revenue	USD mn	6.8	6.3	5.8	-7.9%	-15.0%	16.8	16.5	-1.9%	67.7%
No. of FC	unit	6	6	5	-16.7%	-16.7%	6	5	-16.7%	100.0%

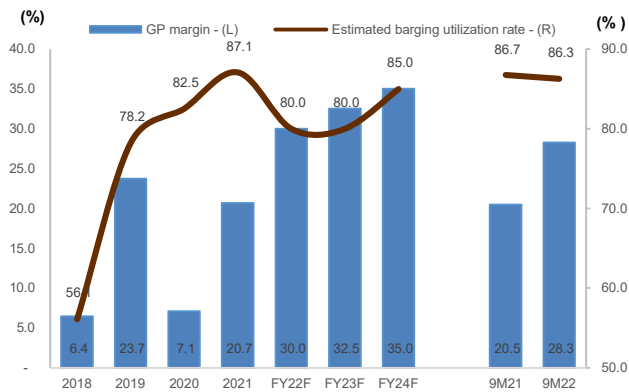
Source: Company, KISI

Table 2. MBSS's DCF estimates

Assumptions	Equity Value calculation			
Beta	1.1	Enterprise value (USD mn)	146	
Equity Risk Premium	5.0%	Net debt (USD mn)	(60)	
Risk Free Rate (RFR)	7.5%	<b>Equity Value (USD mn)</b>	<b>206</b>	
Cost of Equity	12.8%	Shares outstanding (bn)	1.8	
Cost of Debt	8.0%			
Tax	22.0%	<b>Equity value per share (IDR)</b>	<b>1,800</b>	
Cost of Debt (adjusted for tax)	6.2%			
Equity Portion	81.7%			
Debt Portion	18.3%			
<b>WACC</b>	<b>11.6%</b>			
DCF Valuation (USD mn)	2022F	2023F	2024F	2025F
EBITDA	42.4	59.1	74.9	81.0
Tax	(1.6)	(2.2)	(2.7)	(2.8)
Capex	(12.0)	(42.0)	(42.0)	(49.8)
Other expenditures	(3.0)	(10.5)	(10.5)	(12.5)
<b>Free cash flow</b>	<b>25.8</b>	<b>4.4</b>	<b>19.7</b>	<b>16.0</b>
<b>TV in 2025</b>				<b>138.0</b>

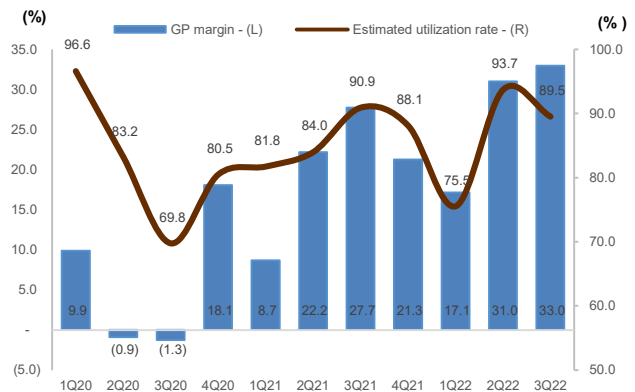
Source: KISI

Fig 7. MBSS GP margin & est. utilization rate



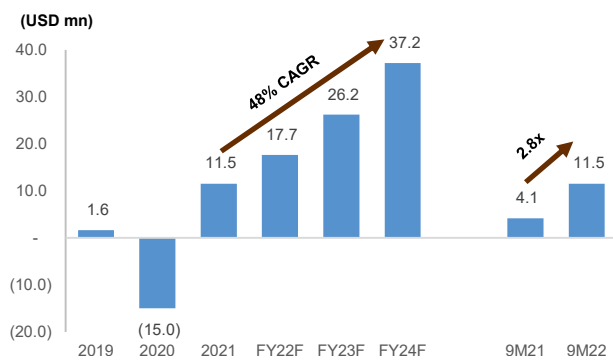
Source: Company, KISI

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



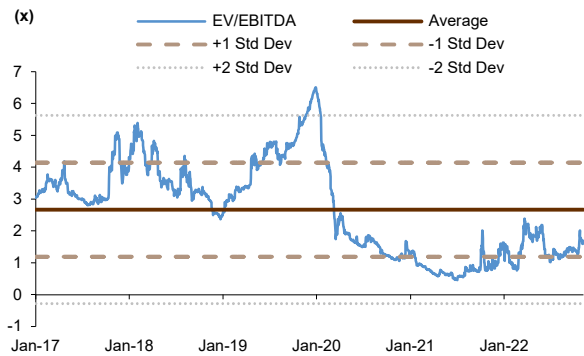
Source: Company, KISI

Fig 9. On a right track to significant earnings recovery



Source: Company, KISI

Fig 10. MBSS's EV/EBITDA band



Source: Bloomberg, KISI

Table 3. Summary of changes in assumptions

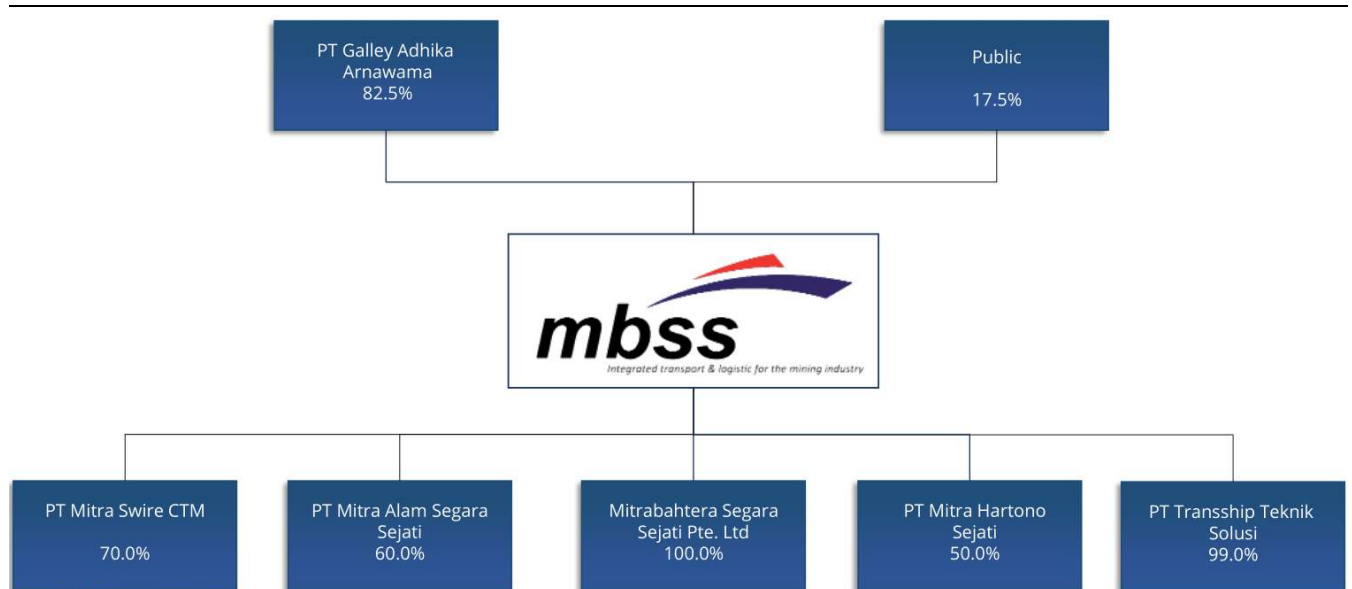
Assumptions	Unit	Revised			Previous		
		FY22F	FY23F	FY24F	FY22F	FY23F	FY24F
Barging volume	mn tonnes	24.9	33.2	42.7	27.5	30.6	43.1
Change (%)		-9%	8%	-1%			
Floating crane volume	mn tonnes	11.6	13.3	14.8	14.6	16.6	16.6
Change (%)		-21%	-20%	-11%			
Barging rate per t	USD/t	2.5	2.7	2.6	2.3	2.5	2.5
Change (%)		10%	8%	3%			
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	117.7	141.9	93.2	121.4	144.3
Change (%)		-7%	-3%	-2%			
Gross profit	USDmn	26.0	38.2	49.7	30.3	40.2	50.5
Change (%)		-14%	-5%	-2%			
Operating profit	USDmn	19.5	30.4	40.9	21.8	32.1	38.9
Change (%)		-11%	-5%	5%			
EBITDA	USDmn	42.4	59.1	74.9	46.0	63.0	72.4
Change (%)		-8%	-6%	3%			
Net profit	USDmn	17.7	26.2	37.2	20.5	27.3	37.3
Change (%)		-14%	-4%	0%			
Target price	IDR		1,800			1,750	
Change (%)			3%				
Recommendation			BUY			BUY	

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

<b>Balance sheet</b>		(USD mn)				
<b>FY-ending Dec. (US\$ m)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>	
<b>Current assets</b>						
Cash & cash equivalent	35.2	27.2	77.1	104.5	101.8	
Accounts & other receivables	12.1	10.8	15.9	21.8	25.5	
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	120.7	133.7	141.7	
Intangible assets	-	-	-	-	-	
Investment properties	-	-	-	-	-	
Other non-current assets	0.4	0.5	-	-	-	
<b>Total assets</b>	<b>194.9</b>	<b>177.6</b>	<b>219.6</b>	<b>266.0</b>	<b>275.0</b>	
<b>Current liabilities</b>						
Accounts & other payables	7.3	3.8	5.9	8.6	10.9	
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	8.0	5.0	3.0	
<b>Total liabilities</b>	<b>44.1</b>	<b>15.5</b>	<b>43.9</b>	<b>77.4</b>	<b>69.8</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	130.3	147.9	
Minority interest	12.0	12.6	7.5	8.0	8.5	
<b>Shareholders' equity</b>	<b>144.8</b>	<b>156.5</b>	<b>176.5</b>	<b>189.4</b>	<b>207.0</b>	
<b>Cash flow</b>		<b>(USDmn)</b>				
<b>FY-ending Dec. (US\$ m)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>	
<b>C/F from operating</b>						
Net profit	(15.0)	11.5	17.7	26.2	37.2	
Depreciation	21.4	20.7	22.0	27.0	32.0	
Net incr. in W/C	10.7	(8.6)	5.7	(3.3)	(1.4)	
Others	-	-	-	-	-	
<b>C/F from investing</b>						
CAPEX	(14.0)	(8.4)	(12.0)	(42.0)	(42.0)	
Others	4.4	2.5	4.9	-	-	
<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)	(19.6)	
Others	(12.1)	(0.7)	-	-	-	
<b>C/F from others</b>						
Increase in cash	(5.0)	(8.0)	49.8	27.4	(2.7)	

<b>Income statement</b>		(USD mn)				
<b>FY-ending Dec. (US\$ m)</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>	
Sales	54.9	73.4	86.7	117.7	141.9	
COGS	(51.0)	(58.2)	(60.7)	(79.4)	(92.3)	
<b>Gross profit</b>	<b>3.9</b>	<b>15.2</b>	<b>26.0</b>	<b>38.2</b>	<b>49.7</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>30.4</b>	<b>40.9</b>	
<b>Financial income</b>						
Interest income	0.7	0.3	1.0	1.7	2.0	
<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>28.4</b>	<b>39.9</b>	
Final taxes	(0.7)	(0.9)	(1.1)	(1.5)	(1.8)	
<b>Net profit</b>	<b>(15.0)</b>	<b>11.5</b>	<b>17.7</b>	<b>26.2</b>	<b>37.2</b>	
Non-controlling interest	0.0	0.6	-	-	-	
<b>Other comprehensive profit</b>						
<b>Total comprehensive profit</b>						
Total comprehensive profit of controlling interest						
<b>EBITDA</b>	<b>9.5</b>	<b>34.6</b>	<b>42.4</b>	<b>59.1</b>	<b>74.9</b>	

### Key financial data

<b>FY-ending Dec.</b>	<b>2020A</b>	<b>2021A</b>	<b>2022F</b>	<b>2023F</b>	<b>2024F</b>
<b>per share data (USD)</b>					
EPS	-0.0086	0.0066	0.0101	0.0150	0.0213
BPS	0.0896	0.0966	0.1051	0.1128	0.1231
DPS	-	-	0.0076	0.0112	0.0159
<b>Growth (%)</b>					
Sales growth	(29.5)	33.8	18.1	35.8	20.6
OP growth	NM	NM	149.3	56.1	34.4
NP growth	NM	NM	53.6	48.3	42.1
EBITDA growth	(66.1)	265.4	22.7	39.3	26.7
<b>Profitability (%)</b>					
OP margin	(12.2)	10.6	22.5	25.9	28.8
NP margin	(27.3)	15.7	20.4	22.2	26.2
EBITDA margin	17.3	47.1	49.0	50.2	52.8
ROA	(7.3)	6.2	8.9	10.8	13.8
ROE	(9.1)	7.1	10.0	13.7	18.0
Dividend yield	-	-	8.9	13.2	-
Dividend payout ratio	-	-	-	75.0	75.0
<b>Stability</b>					
Net debt (US\$ m)	(10.2)	(27.2)	(65.5)	(60.2)	(66.3)
Int-bearing debt/equity (%)	16.0	-	6.3	22.4	16.4
<b>Valuation (X)</b>					
PE	(10.7)	13.8	8.9	5.7	4.0
PB	1.0	0.9	0.9	0.8	0.7
EV/EBITDA	16.9	4.1	2.1	1.6	1.2

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