

November 11, 2022



Research Center

# Morning KISI/

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Mitrabahtera Segara Sejati, Tbk (MBSS): All's well that ends well

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# 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

## Company

## Update

## Transportation

Nov 10, 2022

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

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## Market Commentary

### Market Commentary

- JCI finished the session on the back foot to end below the 7000 key level, in line with most regional equities as market sentiment took a dive ahead of key US inflation data. The turmoil in the crypto market also dampens market sentiment.
- JCI starts with a weak start and deepens as pressures in coal and other commodity stocks triggered a selling to a broader market.
- All sectors were dragged lower with Energy, Transportation, Industrials, and Tech being the worst performer.
- RUPIAH -0.19% at 15,691 against USD.
- Coal shares were today's most suffered, with investors continue slashing their position as the coal prices dive to the 300 level. ADRO IJ -4.40%, INDY IJ -6.97%, ITMG IJ -3.70%, PTBA IJ -5.19%, UNTR IJ -5.16%.
- Oil and gas stocks are also in the deep, as traders concerning the weak China demand outlook amid Covid zero policy. MEDC IJ -6.87%, PGAS IJ -1.64%, ELSA IJ -2.82%
- Tech stocks were pulled back from yesterday's gain, amid weak market sentiment. GOTO IJ -5.53%, BUKA IJ -2.74%, WIRG IJ -6.92%.
- Cement stocks were higher at the close as investors digesting the correction in coal price will benefit the industry. INTG IJ +2.95%, SMGR IJ +1.27%.
- Top value were: BBRI IJ -2.58%, BBKA IJ -0.85% IJ, ITMG IJ -3.70%
- Top Gainers : BANK (+7.14%), INTG (+2.95%), SMGR (+1.27%)
- Top Losers: GOTO (-5.53%), BBRI (-2.58%), UNTR (-5.16%)

## News

### Macroeconomic, Sector and Corporate News

- ITMG – Recorded 9M22 net profit of USD 893.8mn, +230% YoY, 87%/85% of our/cons FY22 ests. (Kontan)
- FREN – Recorded 9M22 net profit of IDR1.6tn (vs 9M21 net loss of IDR441.7bn). (Bisnis)
- DCII – Collaborates with Google Cloud to develop local cloud hybrid DCI Enterprise Database Solution (EDS). (Investor daily)
- MEDC – Subsidiary Amman Mineral Nusa Tenggara (AMNT) plans to build an airport (estimated to cost IDR390bn) in West Sumbawa as part of its mines area development. (Bisnis)
- BIRD – Targets to add 5,000-8,000 vehicles and rejuvenate 3,000-4,000 vehicles in 2023. (Investor daily)
- TOTL – Booked 10M22 new contracts of IDR 2.2t (exceeding its FY22 target of IDR 2tn), & targets FY23 new contracts of IDR 2.6tn (+30% YoY vs. FY22 target). (Investor daily)
- ADHI – Secured multiyear projects worth IDR581bn for construction of hospital & healthcare facilities in Bandung (West Java) & Makassar. (Kontan)

## Outliers

### Outlier Stocks

- Sharp Movers (Up) : ZATA (+35%), BSBK (+33%), KJEN (+14.8%)
- Sharp Movers (Down) NANO (-8.6%), INDY (-7%), WIRG (-6.9%)

**Macro Calendar**

November 11, 2022

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