INDONESIA
Shipping

July 4th, 2023

Andreas Yordan Tarigan
Analyst
(62 21) 8067 3000
andreas.tarigan@sucorsekuritas.com

Anmol Sadhwani
Research Associate
(62 21) 8067 3000
anmol.sadhwani@sucorsekuritas.com

Sucor Sekuritas

Company Update

TRANS POWER MARINE — BUY

Expansion at the horizon

Estimated (Dec)	2022A	2023F	2024F	2025F
Revenue (US$ mn)	63	67	70	71
Net Income (US$ mn)	14	19	21	20
EPS (Rp)	85	107	117	117
EPS Change (YoY)	298	25	9	0
P/E	5.0	4.0	3.7	3.7
EV/EBITDA	2.4	1.9	1.9	2.0
P/BV	0.8	0.8	0.7	0.7
ROE	16.1	18.9	19.6	18.8
ROIC	16.9	21.9	21.8	20.3
Dividend Yield	3.0	11.9	19.9	19.9
Net gearing (%)	(0.0)	(0.1)	(0.1)	(0.1)

Historical 5-Yr Key Performance (2017-2022):

Revenue growth	49.3%	ROE	9.15%
Net income growth	95.5%	ROIC	8.97%
FCF Growth	89.8%	Div. Yield	4.18%
5-Yr PE	11.5	Operating Margin	20.41%
5-Yr EV/EBITDA	4.8	Net gearing	0.15

Stock data

Bloomberg Ticker:	TPMA IJ
Last Price:	Rp426
52-Week Range:	Rp350-Rp525
Market Capitalization:	Rp1.2tn
Shares Outstanding (mn):	2,633.30
6M Avg Trading Value:	Rp4.38bn

All figures are in local currency (Indonesian Rupiah) except where otherwise stated.

TPMA Share Price Performance

Technical View

RECOMMENDATION	:	SIDEWAYS
Support	:	400 - 374
Resistance	:	525 - 550

Ambitious expansion plan with attractive returns

The current tug & barge price at US$3-3.6mn brings about two contesting ideas: to expand or to do business as usual at such high prices. The former appears to be the sensible option considering the attractive returns. Furthermore, even after the price leaped, a set of tug & barge can reach payback period (PBP) in only four years, thanks to the rising freight rates that follow. Thus, a tug & barge delivers an ROIC of 25%.

With its expansion plan, TPMA represents a strategic proposition amid rising freight rates. The company currently operates 37 sets of tug & barges, and it plans to acquire eight more fleets within its consolidated operation and 60 fleets within its JV company (with Tsingshan) in the next two and four years, respectively. The company's sturdy balance sheet (net cash position) allows for an 80% debt financing for this expansion, which potentially translates to ROE of 125% per ship. Note that even in the worst-case scenario, a barge would be able to reach a PBP in 7-8 years, translating to 12.5-14% ROIC.

Benefiting from commodity saga

Following the pandemic and a leap in commodity prices, the domestic barge market is experiencing tight supply at an unprecedented level, and amid this condition, freight rates skyrocketed. As a result, companies have to compete and join a long waiting list to acquire more barges. Among the key drivers behind the tight supply are insufficient number of skilled labors in shipyards and a reduced number of shipyards in operation. This condition, paired with TPMA's ambition to expand, will spell more power to the company.

Solid track record

TPMA has sailed through many "rough seas" and cycles. Not only did TPMA survive downturn cycles, but it is also the only barge company that has been recording positive bottom lines since IPO—a testament to strong management team and solid balance sheet. In addition, TPMA's strong customer portfolio (consisting of major players, including KPC, ITMG, Solusi Bangun Indonesia, and Borneo Indobara) also ensures steady delivery volume.

Maintain BUY with TP of Rp600

We conservatively lower our DCF-based TP to Rp600, based on WACC of 14.3% and -2% perpetual growth. Our TP implies 2.9 and 5.6x of 2023F EV/EBITDA and PE, a discount to its current Peers' average of 11.8 and 4.7x. We favour TPMA, considering 1) ambitious expansions with attractive returns, 2) sturdy balance sheet for expansion, 3) elevated freight due to tight supply, and 4) strong management team with proven track records.

A walk through our DCF model

In our recent roadshow, we found that the main pushback is the declining commodity prices, which could act as headwind to TPMA's valuation. To address the concern, we employ sensitivity analysis to see how the changes in freight rate can affect valuations. In the worst scenario (assuming a 55% lower long-term sustainable freight rate of US$2/ton), TPMA is still valued at Rp542/sh (Fig. 1).

Our DCF model, based on WACC of 14.3% and -2% perpetual growth rate, delivers equity values of US$95mn and US$4mn for its consolidated business and joint venture (TLP), respectively.

- Our WACC assumes 1.2 beta (β), 0.21x DER, 4.9% Risk free rate (Rf), and 9.23% equity risk-Premium (Rm-Rf).
- We project 10-year free cash flows using 0.15x Recurring Capex-to-Revenue (adj. for inflation) and expansion Capex of US$3–3.6mn per ship. Then, we enclosed the projection with -2% terminal growth rate. To address the concern on the volatile commodity prices, we use a conservative long-term freight rate of US$3/ton (33%-lower than 2023F projection of US$4.5/ton).
- As there is a lot of ambiguity in JV projections, we decided to use a very conservative approach. Thus, the JV ended up contributing only 3% of our valuation today.

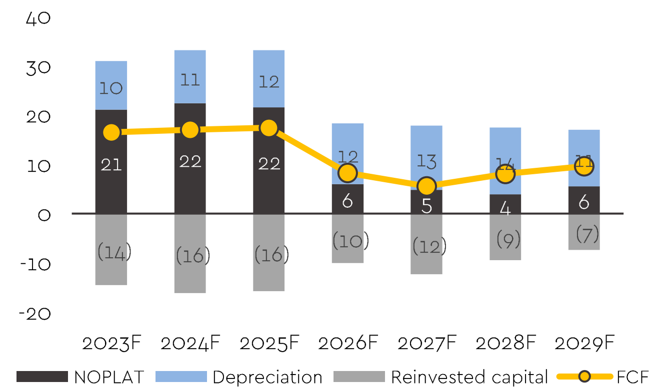
With our conservative approach, we ended up with a 10-year average FCF of US$10mn, 11% lower than FCF during Covid (Fig. 3). Even with such conservative estimate, our fair value calculation still comes up to Rp600/sh, a 39% upside from current market price.

Fig. 1: Target price sensitivity

Rate (USD/ton)	WACC (%) 12.0%	13.0%	14.3%	14.5%	15.0%
2.0	615	587	557	553	542
2.5	637	609	578	573	563
3.0	659	631	600	594	583
3.5	682	652	619	614	603
4.0	704	674	640	635	623

Source: Trans Power Marine, Sucor Sekuritas

Fig. 2: FCF from consolidated operation (mn US$)



Source: Trans Power Marine, Sucor Sekuritas

Fig. 3: DCF for consolidated operations

Consolidated business

DCF Valuation	Unit	2023F	2024F	2025F	2026F	2027F ...	2033F
Cash flow multiple		0	1	2	3	4 ...	10
NOPLAT	mn USD	21	22	22	6	5	2
Depreciation	mn USD	10	11	12	12	13	13
Reinvested Capital	mn USD	(14)	(16)	(16)	(10)	(12)	(10)
FCFF	mn USD	16	17	17	8	6 ...	6
Discounted Free Cash Flow	mn USD	16	15	13	6	3 ...	1

Terminal Value	mn USD	34
Discounted Terminal Value	mn USD	9
Enterprise Value	mn USD	81
Net debt	mn USD	-14
Equity value	mn USD	95
Minority interest	mn USD	0
Equity value (after minority)	mn USD	95

Source: Trans Power Marine, Sucor Sekuritas

Fig. 4: DCF for TLP (JV with 30% stake)

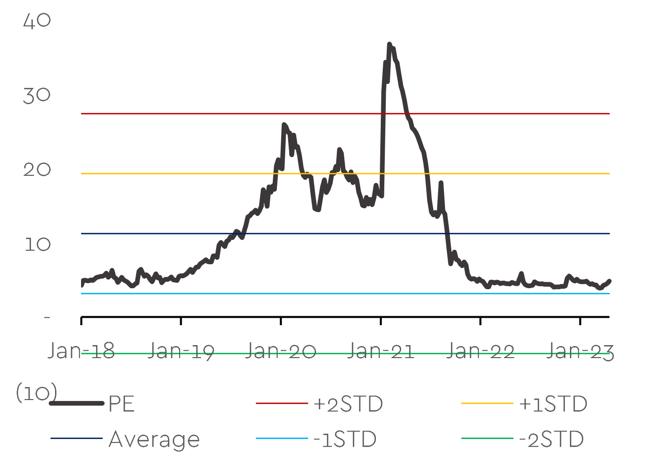
JV (TLP)

DCF Valuation	Unit	2023F	2024F	2025F	2026F	2027F ...	2033F
Cash flow multiple		0	1	2	3	4 ...	10
NOPLAT	mn USD	0	5	11	12	12	12
Depreciation	mn USD	1	6	11	11	11	11
Reinvested Capital	mn USD	(12)	(54)	(51)	(6)	(6)	(6)
FCFF	mn USD	-11	-43	-29	16	16 ...	17
Discounted Free Cash Flow		-11	-38	-22	11	10 ...	4

Terminal Value	mn USD	100
Discounted Terminal Value	mn USD	26
Enterprise Value	mn USD	14
Net debt	mn USD	10
Equity value	mn USD	4
TPMA's stake (30%)	mn USD	1

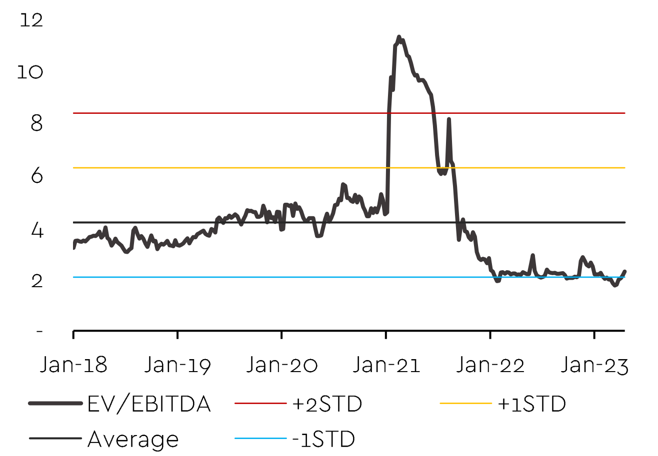
Source: Trans Power Marine, Sucor Sekuritas

Fig. 5: TPMA's forward PE



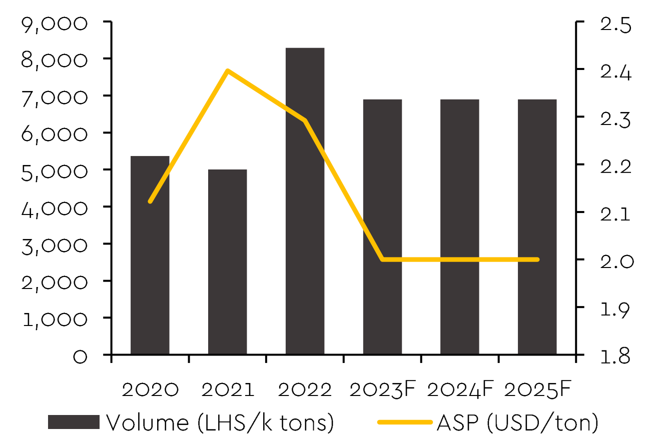
Source: Trans Power Marine, Bloomberg, Sucor Sekuritas

Fig. 6: TPMA's forward EV/EBITDA



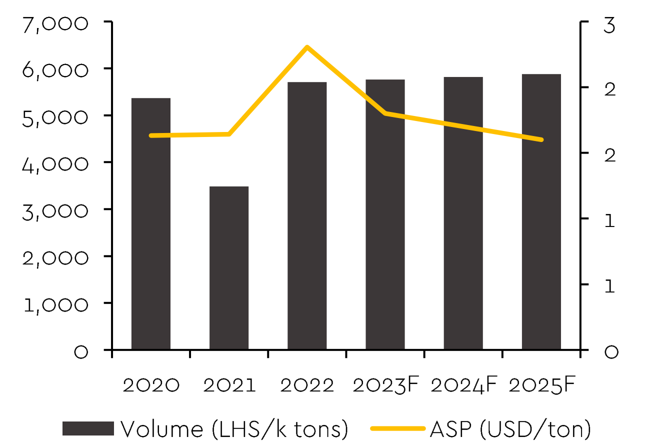
Source: Trans Power Marine, Bloomberg, Sucor Sekuritas

Fig. 7: Floating crane's volume vs. ASP



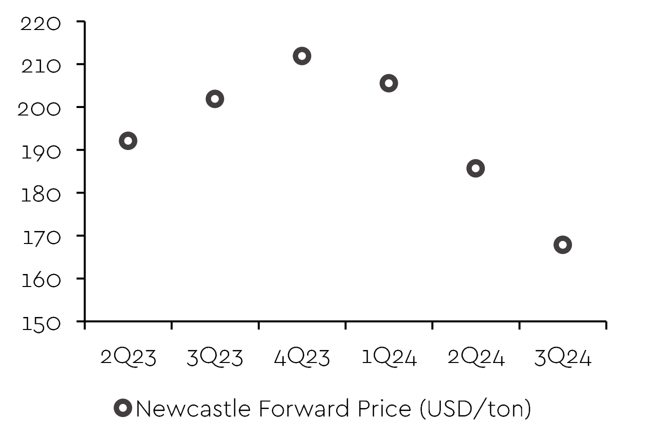
Source: Trans Power Marine, Sucor Sekuritas

Fig. 8: Transhipment's volume vs. ASP



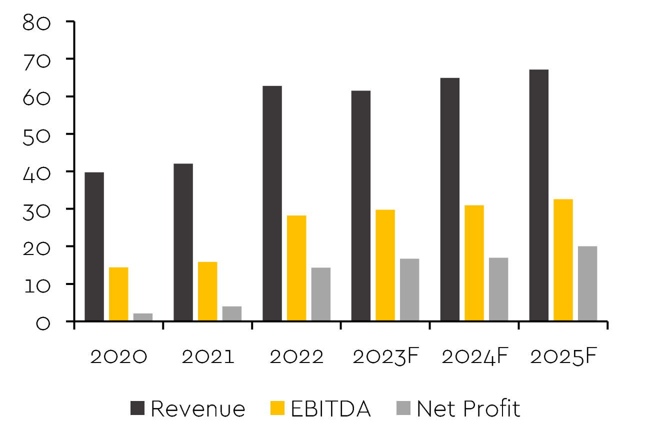
Source: Trans Power Marine, Sucor Sekuritas

Fig. 9: Newcastle forward price (US$/ton)



Source: Bloomberg, Sucor Sekuritas

Fig. 10: Revenue, EBITDA, and Net Profit (mn US$)



Source: Trans Power Marine, Sucor Sekuritas

Sucor Sekuritas

Fig. 11: Income Statement and Balance Sheet

Profit & Loss (USD mn)	2021	2022	2023F	2024F	2025F
Revenue	**42**	**63**	**67**	**70**	**71**
Cost of revenue	(33)	(42)	(41)	(43)	(45)
Gross profit	**9**	**21**	**26**	**27**	**27**
Opex	9	21	26	27	27
Operating profit	**6**	**17**	**22**	**23**	**22**
EBITDA	16	28	32	34	34
Finance income	-	-	-	-	-
Finance expense	(1)	(1)	(1)	(1)	(2)
Gain (loss) on Forex	(0)	(1)	(1)	(1)	(1)
Income from JV	-	-	0	1	2
Others	(0)	(0)	(0)	(0)	(0)
Pre-tax profit	4	15	20	21	21
Tax expense	(1)	(1)	(1)	(1)	(1)
Minority interest	-	-	-	-	-
Net profit to parent entity	**4**	**14**	**19**	**21**	**20**
EPS (IDR)	21	85	107	117	117

Balance Sheet (USD mn)	2021	2022	2023F	2024F	2025F
Cash and equivalents	10	15	29	34	40
Trade Receivables	9	9	11	13	14
Inventories	1	1	1	1	1
Fixed Assets	78	71	74	78	81
Other assets	1	10	6	9	12
Total Assets	**99**	**107**	**121**	**134**	**147**
Trade payables	3	6	4	5	5
Short-term debt + CMLTD	11	10	12	17	22
Long term loan	6	2	4	7	10
Other liabilties	3	1	1	1	1
Total Liabilities	**22**	**19**	**22**	**29**	**38**
Issued Capital	28	28	28	28	28
Retained earnings	44	56	66	72	76
Minority interest	-	-	-	-	-
Other equities	5	5	5	5	5
Total Equity	**77**	**89**	**99**	**105**	**109**

Source: Trans Power Marine, Sucor Sekuritas

Fig. 12: Cash Flow and Key Ratios

Cash Flow (USD mn)	2021	2022	2023F	2024F	2025F
Net income	4	14	19	21	20
Depreciation & amortization	10	11	10	11	12
Change in working capital	1	2	(3)	(1)	(1)
Cash flow from operations	**16**	**26**	**26**	**30**	**31**
Capex	(5)	(5)	(12)	(15)	(15)
Others	1	(9)	4	(3)	(3)
Cash flow from investments	**(3)**	**(13)**	**(8)**	**(18)**	**(17)**
Changes in debt	(4)	(5)	4	8	8
Changes in equity	-	(0)	0	-	-
Dividends paid	(4)	(2)	(9)	(15)	(16)
Others	0	(0)	0	0	0
Cash flow from financing	**(8)**	**(7)**	**(4)**	**(7)**	**(8)**
Net Cash Flow	**4**	**5**	**14**	**5**	**6**

Key Ratios (%)	2021	2022	2023F	2024F	2025F
Revenue growth	5.7	49.5	6.9	4.5	1.8
EBIT growth	30.0	214.1	26.8	5.9	(3.7)
EBITDA growth	10.0	77.9	12.9	6.8	(0.0)
Net profit growth	0.9	2.6	0.31	0.1	(0.0)
Gross margin	22.3	33.7	38.6	39.0	37.3
EBIT margin	13.1	27.6	32.8	33.2	31.4
EBITDA margin	37.7	44.9	47.4	48.5	47.6
Net margin	9.4	22.8	28.0	29.2	28.7
ROA	4.0	13.3	15.5	15.3	14.0
ROE	5.1	16.1	18.9	19.6	18.8
Net gearing (x)	0.1	(0.0)	(0.1)	(0.1)	(0.1)
Net debt/EBITDA (x)	0.4	(0.1)	(0.4)	(0.3)	(0.2)
Interest coverage ratio (x)	1,567.4	3,693.3	3,036.3	2,294.3	1,700.2

Source: Trans Power Marine, Sucor Sekuritas

Sucor Sekuritas rating definition, analysts certification, and important disclosure

Ratings for Sectors

Overweight : We expect the industry to perform better than the primary market index (JCI) over the next 12 months.

Neutral : We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.

Underweight : We expect the industry to underperform the primary market index (JCI) over the next 12 months

Ratings for Stocks

Buy : We expect this stock to give return (excluding dividend) of above 10% over the next 12 months.

Hold : We expect this stock to give return of between -10% and 10% over the next 12 months.

Sell : We expect this stock to give return of -10% or lower over the next 12 months

Analyst Certification

The research analyst(s) primarily responsible for the preparation of this research report hereby certify that all of the views expressed in this research report accurately reflect their personal views about any and all of the subject securities or issuers. The research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in this research report.

Disclaimers

This document has been prepared for general circulation based on information obtained from sources believed to be reliable but we do not make any representations as to its accuracy or completeness. PT Sucor Sekuritas accepts no liability whatsoever for any direct or consequential loss arising from any use of this document or any solicitations of an offer to buy or sell any securities. PT Sucor Sekuritas and its directors, officials and/or employees may have positions in, and may affect transactions in securities mentioned herein from time to time in the open market or otherwise, and may receive brokerage fees or act as principal or agent in dealings with respect to these companies. PT Sucor Sekuritas may also seek investment banking business with companies covered in its research reports. As a result investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Research Team

EDWARD LOWIS
Head of Research
Strategy, Banking, Automotive, Plantation

AHMAD MIKAIL ZAINI
Chief Economist
Macroeconomy

PAULUS JIMMY
Deputy Head of Research
Technology, Media, On China

BENYAMIN MIKAEL
Senior Analyst
Industrials, Real Estate, Retailers, Poultry

ANDREAS YORDAN TARIGAN
Analyst
Energy, Mining

CHRISTOFER KOJONGIAN
Analyst
Telco, Telco Towers, Automotive

CLARA NATHANIA
Analyst
Cement, Consumer

ERIZA PUTRI
Analyst
Infrastructure, Healthcare

ANMOL GOBIND SADHWANI
Research Associate

KAREN MIRANTI
Research Associate

ORNELLA ONGKO
Research Associate

STANY PANDUNATA
Research Associate

YOGA AHMAD GIFARI
Research Associate

MOHAMMAD FARID GUMILAR
Associate Economist

Sales Office & Research

PT. Sucor Sekuritas

HEAD OFFICE
PT. Sucor Sekuritas
Sahid Sudirman Center, 12th Floor
Jl.Jend Sudirman Kav.86
Jakarta10220, Indonesia
Ph: (+621) 8067 3000
Fax: (+621) 2788 9288

JAKARTA
Ruko Inkopal Block A No. 23A
Jl.Boulevard Barat Raya
Jakarta Utara 14240
Ph: (+621) 4585 9114
Fax: (+621) 4585 9227

Kantor Cabang Pantai Indah Kapuk
Jl. Camar Indah 1 De No.8
RT 005/006 Kapuk Muara, Penjaringan Jakarta Utara 14460
Ph: (+621) 588 6010

GALERI INVESTASI
Universitas Tarumanegara
Fakultas Ekonomi
Lab. Pasar Modal Ged. A Lt.7
Jl. Tanjung Duren Raya No.1 Jakarta Barat 11470
Ph: (+621) 565 550 814
Fax: (+621) 565 5508

Altira (War Room@Cafe Rahasia Saham)
Altira Business Park, Pordium 3
Jl. Yos Sudarso Kav 85 No.15, Sunter, Jakarta Utara

GADING SERPONG
Ruko Pisa Grande Blok A No.2
Jl. Paramount Boulevard, Curug Sangereng Kecamatan Kelapa Dua
Tangerang, Banten 15810
Ph: (+621) 542 10990

GALERI INVESTASI
Swiss German University
EduTown BSD City
Fakultas Business Administration&Humanity
Tangerang 15339

PONTIANAK
Jl Teuku Umar
Pontianak Mall c23-24 Lt 2
PhL (+62561) 760001

SEMARANG
Jl. D.I Panjaitan 90 B
Kel. Jagalan
Kec. Semarang Tengah, Semarang 50135
Ph: (024) 86042220

GALERI INVESTASI
Universitas Pelita Harapan Fakultas Ekonomi
Jl. M.H Thamrin Boulevard 1100 Lippo Village Tangerang 15811
Ph: (+621) 547 0901

BANDUNG
Ruko Paskal Hyper Square Blok B No. 66
Jl. Hegarmanah No. 57 Bandung 40141
Ph: (+622) 203 3065
Fax: (+622) 203 2809

JAMBI
GALERI INVESTASI
Universitas Adiwangsa Jambi
Jl. Sersan Muslim No. 24, Thehok, Kec Jambi Selatan, Kota Jambi

SURABAYA
Gd. Spazio Lt 2 Unit 208
Jl. Mayjen Yono Soewoyo Kav.3 Graha Famili
Surabaya 60226
Ph: (+631) 600 39701

Surabaya 2
SCG Surabaya
Jl. Slamet No.37
Surabaya 60272
Ph: (+631) 547 9252
Fax: (+631) 547 0598

Surabaya 3
Ruko Pakuwon Town Square AA 2-50
Jl. Kejawen Putih Mutiara
Surabaya 60112
Ph: (+631) 5825 3448
Fax: (+631) 5825 3449

GALERI INVESTASI
Universitas Negeri Surabaya Gedung Bisnis Centre Fakultas Ekonomi, Kampus Ketintang
Jl. Ketintang Surabaya 60231
Ph: (+631) 8297123

GALERI INVESTASI
Universitas Katolik Widya Mandala Fak. Bisnis
Jl. Dinoyo 42-44 Surabaya 60265
Ph: (+631) 567 8478