



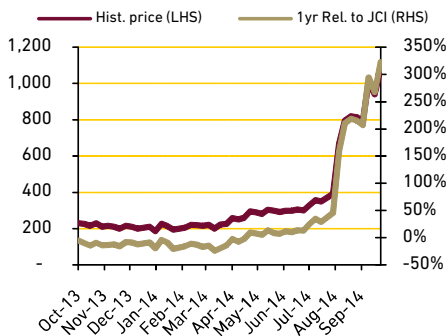
Ciptadana
Research Report
October 7, 2014

Pelayaran Tempuran Mas
An exceptional growth

TEMPURAN MAS - TP: NOT RATED

Company Visit Note – An exceptional growth

TMAS IJ performance relative to JCI



Sector:	Constructions
Bloomberg Ticker:	TMAS IJ
Recommendation:	N/A
Price (06-Oct-14)	Rp 1,220/sh
12-Month Target Price	N/A
52 week price range:	Rp 170 - Rp 1,375
Shares outstanding (mn)	1,141
Mkt Cap (Rp bn/ US\$ mn)	1,392 / 114
Avg. daily val. (Rp bn/ US\$ mn)	0.9 / 0.1

Share Price Performance	3M	6M	YTD
Absolute	371%	478%	552%
Relative to JCI	370%	476%	535%

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Leading containerized shipper

We had a detailed discussion with Tempuran Mas (TMAS) CEO and CFO yesterday. The company provides containerized shipping services covering major domestic routes in Indonesia namely Medan, Padang, Pekanbaru, Pontianak, Jakarta, Surabaya, Makassar, Bitung, Ambon, Sorong, and Jayapura). Currently, the company operates a fleet of 23 vessels with capacity of around 13,442 Twenty-Foot Equivalent Units (TEUs), ranking them in 61 out of top 100 biggest shippers by container capacity in the world (<http://www.alphaliner.com/top100/>). TMAS average vessel's age is 7 years vs. its Indonesian major competitors' of >15 years. On its main routes from Jakarta, Surabaya and Makassar, TMAS is already the market leader for domestic containerized shipment. It ships general consumer goods cargo ranging from daily needs such as shampoo to motorcycles as well as cement, generally out from Java to the surrounding islands, and brings back commodities (logging, rattan etc but only 60-70% of fleet capacity when return). It captures between 30-50% of market share on these routes.

Expanding fleet coupled with strong tariff and volume growth

TMAS plans to acquire around three more small vessel size (200-300 TEUs) vs current average capacity of 700 TEUs, that can maneuver through Indonesia's small ports (in Saumlaki, Tual, Timika, Berau etc) to tap growing demand there and help reduce logistic cost to that areas, supporting Jokowi's maritime toll program. Due to its younger age of vessel, TMAS has the most cost efficiency (50% lower fuel cost) compared to its competitor. This prevents competitors from initiating tariff war as their gross margin would squeeze significantly (to only 2% or even negative) like what TMAS experienced with its old vessels during 2009-2010. Moreover, TMAS see higher tariff as more consumer goods producers see containerized shipping are more efficient than trucking connecting between cities that have seaport. The demand is expected to significantly increase when government raise subsidized fuel price as it will lead to higher trucking costs. The company mentioned its tariff grew by around 16% CAGR from 2012 to currently Rp3.5 mn / TEUs while volume gained at a faster pace of 20%.

Net profit may still double next year

Our rough calculations under bullish scenario reveals that TMAS net profit could grow by 91% yoy in 2015 to Rp317 bn assuming: 1) 27% revenue growth (+15% volume and +10% rate) 2) gross margin of 28% (vs 23% (+1200 bps yoy) in 1H14 and historical highest level of 36%) as TMAS should benefit from its high fixed cost portion per vessel (fuel cost, voyage cost and stevedoring cost). TMAS has entered fixed contract with several ports authorities (positive impact from bureaucracy reform), reducing its stevedoring (loading and unloading) days from 3 days to only 1 day. TMAS has been allocated fixed date and time to load/unload its containers and will be fined if it does not meet this schedule. Under conservative scenario assuming 21% revenue growth and flat margins, TMAS net profit could grow by 32% yoy to Rp250 bn. Note that TMAS pays final tax of 1.2% for its shipping service revenue. Upside risks to our calculation: 1) the delivery of additional fleet and 2) higher cargo volume sifted from trucking to containerized-shipping once subsidized fuel price raised. Note that TMAS uses unsubsidized bunker/fuel (MFO and HSD) purchased mostly from Pertamina.

Very attractive valuations, Fair value range: Rp2,190 – Rp 3,170

TMAS stands head and shoulders above its peers on growth, PER as well as on the EV/EBITDA front. Its more expensive PBV is justified by ROE of around 50%. Additionally, it historically pays out 30% of profits as dividends which would give a yield of 4% assuming Rp50/share dividend from 2014 earnings. Currently, at a mere 3.9x 2015 PER and 91% expected earnings growth, TMAS offers a rare combination of value and growth, in our view. We think TMAS fair value could reach Rp2,190 – Rp3,170 per share under our conservative – bullish scenario, implying 10x 2015 PER or 40% discount to regional containerized shipping on thin liquidity trading.

Exhibit 1: TMAS 1H14 results and FY14-15 profits calculation

	annualised				Conservative case		Bullish case	
	1H14	1H13	yoy	FY14	FY15	yoy	FY15	yoy
Revenue	791.6	659.5	20.0%	1583.2	1915.6	21.0%	2002.7	26.5%
Cost of service	-607.6	-576.7	5.4%	-1215.2	-1471.2	21.1%	-1441.9	17.0%
Gross profit	184.0	82.8	122.2%	368.0	444.4	20.8%	560.8	52.4%
Gross margin	23.2%	12.6%	10.7%	23.2%	23.2%	0.0%	28.0%	4.8%
Operating expenses	-29.5	-33.8	-13%	-58.9	-70.9	20.3%	-74.1	25.8%
% of total revenue	-3.7%	-5.1%	1.4%	-3.7%	-3.7%	0.0%	-3.7%	0.0%
Operating profit	154.5	49.0	215%	309.0	373.5	20.9%	486.7	57.5%
Operating margin	19.5%	7.4%	12.1%	19.5%	19.5%	0%	24.3%	4.8%
Finance charges	-44.5	-45.5	-2%	-89.0	-97.9	10.0%	-97.9	10.0%
Other income (charges)	6.3	9.5	-34%	12.6	12.6	0%	12.6	0.0%
Total other income (charges)	-38.2	-36.0	6.1%	-76.4	-85.3	11.7%	-85.3	10.0%
PBT	116.3	13.0	794.7%	220.1	288.3	31.0%	401.4	82.4%
Tax expenses	-15.3	-12.0	27.8%	-30.6	-38.3	25.1%	-40.1	30.8%
Effective tax rate (1.2% final tax for shipping service)	-13.2%	-92.1%	-79.0%	-13.9%	-13.3%	-0.6%	-10.0%	-3.9%
Net income (Rp bn)	101.5	1.2	8222%	189.4	250.0	31.9%	361.3	90.7%
Net margin	12.8%	0.2%	12.6%	12.0%	13.0%	1.1%	18.0%	6.1%
EPS				166.0	219		317	
PER @ current price of Rp1,250				7.5	5.7		3.9	
TMAS share price at 10x PER (rounded)					2,190		3,170	
% upside					75.2%		153.6%	

Source: Company and Ciptadana calculations

Exhibit 2: Regional containerized shipping comparables

Ticker	Name	2015F		
		PER	PBV	EV/EBITDA
NOL SP	Neptune Orient Lines Ltd	23.0	1.1	11.1
9101 JP	Nippon Yusen	9.0	0.7	7.7
2603 TT	Evergreen Marine Corp Ltd	33.7	1.1	12.9
316 HK	Orient Overseas Intl Ltd	12.2	0.7	7.1
9104 JP	Mitsui Osk Lines Ltd	8.5	0.7	9.7
9107 JP	Kawasaki Kisen Kaisha Ltd	7.9	0.5	5.6
2615 TT	Wan Hai Lines Ltd	16.3	1.1	7.6
1308 HK	Sitc International Holdings	8.5	1.5	6.6
SSW US	Seaspan Corp	16.2	1.0	8.5
368 HK	Sinotrans Shipping Ltd	25.8	0.7	2.6
9364 JP	Kamigumi Co Ltd	16.4	0.9	7.0
9076 JP	Seino Holdings Co Ltd	13.1	0.6	2.6
Average		15.9	0.9	7.4
TMAS IJ	Pelayaran Tempuran Mas	3.9	2.6	4.2
Discount		-75%	193%	-43%

Source: Bloomberg and Ciptadana calculations

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