

Samudera Shipping Line Ltd

15 March 2022

Non-Rated

BBG	SAMU SP
Market cap	S\$408.9m
Price (14 March 2022)	S\$0.76
52-week range	S\$0.245 – S\$0.800
Target Price	Non-rated
Shares Outstanding	538.0m
Free Float	34.2%
Major Shareholder	Samudera Indonesia Tbk PT 65.1% Mulia Bani Maulana 0.6%
P/BV (12/21)	1.0x
Net debt to EBITDA (12/21)	Net cash

Source: Company data, Bloomberg, SAC Capital

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Bumper year for shipping lines

FY21 was a record year for Samudera Shipping Line (SSL) as revenue and net profit are at its highest for the past 5 years. Higher freight rates and volume handled (+16%) drove revenue up by 52% to US\$526.7m. Gross margin rose by 19.4ppt to 27.9% and was reflected in its net margin of 24.9%. Net profit surged 1678% to US\$128.6m. The Group has declared a total dividend of 14c/share for FY21 which translates to a yield of 18.4%. SSL has a net cash of US\$169.5m. Of these, US\$53.8m would be paid out as proposed final dividend.

Freight rates are still buoyant and favorable to shipping companies as capacity imbalance persists. China containerized freight index was up 76% yoy as at 11 Mar 2022. The Group has chartered in an additional 6 newly built vessels of which 2 have already been deployed and the rest will be delivered in 4Q22. Long term charter contracts has already been secured for these vessels. This brings the total number of chartered in vessels to ~24. (~71% of fleet size) Most of the vessels are chartered in for ~18 months. Although charter hire rate trends in line with freight rate, longer term charter-in has helped SSL to preserve some margin as it is able to lock in at lower rate as compared to the spot rate.

Operating margin is expected to come under pressure, impacted by Russia/Ukraine conflict, which raised bunker costs and caused delays at ports. Brent crude oil price has crossed the US\$100/barrel mark and surged 43% m-o-m. Operating costs are further incurred from extended transit time. Port congestion also reduces the number of vessel calls. SSL earns from more vessel trips as most of its chartered-in vessels are on time charter.

Indonesia accounts for 28% of total FY21 revenue. It includes domestic routes and international routes with Indonesia as its destination. Indonesia has cabotage rules that mandate only Indonesia-flagged vessels can be used in domestic shipping activities and these vessels can only be registered under companies that are fully/majority owned by Indonesians. As such, a JV is established with SSL holding a minority stake and it will own Indonesia flagged vessels to be used for domestic routes. Contribution from domestic shipping will be captured under share of associates.

Key Financials

Year ended 31 December	FY2017	FY2018	FY2019	FY2020	FY2021
Revenue (US\$m)	283.7	422.3	373.8	347.9	527.0
EBIT (US\$m)	7.2	9.3	6.8	8.7	131.1
Net profit (US\$m)	10.5	8.3	3.9	7.2	128.6
Basic EPS (US cents)	1.96	1.54	0.73	1.34	23.9
Dividend per share (S cents)	0.75	0.75	0.75	1.05	14.0
Net cash / (debt) (US\$m)	(13.5)	(14.2)	20.8	51.3	169.5
Valuation					
EBIT margin (%)	3.0	2.2	1.7	2.2	24.9
ROIC (%)	5.6	4.4	4.7	10.0	60.3
EV/EBITDA (x)	12.8	15.3	11.6	11.5	0.8
P/E (x)	28.7	36.6	77.4	41.9	2.4
Dividend yield (%)	1.0	1.0	1.0	1.4	18.4

P&L statement

YE 31 Dec US\$m	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A
Revenue	384.6	422.3	373.8	347.9	527.0
Cost of goods sold	(362.3)	(400.7)	(355.9)	(318.3)	(380.0)
Gross profit	22.3	21.6	17.9	29.6	146.9
Other income	2.9	2.7	3.6	1.6	4.4
Marketing expenses	(7.7)	(8.7)	(7.3)	(7.6)	(8.7)
Admin expenses	(5.7)	(5.8)	(5.1)	(5.2)	(7.4)
Other expenses	(0.1)	(0.5)	(2.8)	(10.7)	(4.2)
EBIT	11.7	9.3	6.3	7.6	131.1
Finance expenses	(1.7)	(1.8)	(2.9)	(1.6)	(2.8)
Share of profits from associate	0.7	0.8	1.5	1.8	2.3
Profit before income tax	10.7	8.2	4.9	7.8	130.6
Income tax expense	(0.3)	(0.5)	(0.7)	(0.5)	(0.6)
NCI	(0.1)	(0.5)	0.3	0.0	1.5
PATMI	10.5	8.3	3.9	7.2	128.6

Balance Sheet

YE 31 Dec US\$m	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A
Inventories	2.4	2.0	1.6	1.7	1.5
Trade and other receivables	58.7	70.9	60.4	53.8	113.5
Other receivables	2.1	3.1	2.9	2.1	1.8
Prepaid op expenses	9.2	9.8	11.7	9.0	19.8
Others	11.4	17.7	13.9	14.8	22.1
Cash	49.6	28.8	56.5	80.8	187.2
Assets classified as held for sale	6.4	0.0	0.0	13.2	0.0
Total current assets	139.8	132.4	147.1	175.5	345.9
Intangible assets	0.0	0.1	0.1	1.1	0.7
Investment in associate	9.6	12.0	14.2	15.7	17.5
Investment properties	0.6	0.6	1.2	1.0	1.0
PPE	152.7	144.6	115.6	85.6	67.0
ROU	0.0	0.0	7.9	63.9	139.3
Others	0.6	0.0	0.0	0.0	0.0
Deferred tax assets	0.0	0.1	0.1	0.1	0.1
Total non-current assets	163.6	157.4	139.1	167.4	225.6
Total assets	303.4	289.8	286.2	342.8	571.5
Lease liabilities	0.0	0.0	3.0	11.2	65.5
Trade and other payables	23.9	25.7	23.6	18.4	28.9
Other payables and accruals	25.4	24.5	22.5	29.2	58.9
Borrowings	16.9	8.9	6.7	9.8	5.2
Others	1.1	1.3	0.9	0.2	0.4
Finance leases	0.0	0.0	0.0	0.0	0.0
Income tax payable	1.3	1.2	1.0	1.4	1.4
Total current liabilities	68.5	61.6	57.8	70.1	160.3
Deferred tax liabilities	0.0	0.0	0.0	0.0	0.0
Lease liabilities	0.0	0.0	5.9	53.2	75.0
Others	0.7	0.7	1.1	1.7	1.2
Borrowings	46.3	34.2	28.2	19.8	12.4
Total non-current liabilities	47.0	34.9	35.2	74.7	88.7
Total liabilities	115.5	96.5	93.0	144.8	249.0
Share capital	68.8	68.8	68.8	68.8	68.8
Treasury shares	(0.2)	(0.2)	(0.2)	(0.2)	(0.2)
Retained earnings	115.8	121.0	122.8	127.1	249.4
Other reserves	(1.3)	(0.6)	(0.9)	(0.3)	0.5
Equity attributable to owners of the Company	183.1	189.1	190.4	195.4	318.5
NCI	4.8	4.3	2.7	2.6	3.9
Total equity	187.8	193.4	193.2	198.0	322.4

Ratio

YE 31 Dec US\$m	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A
Profitability (%)					
Gross margin	6%	5%	5%	9%	28%
Profit before tax margin	3%	2%	1%	2%	25%
Liquidity (x)					
Current ratio	2.0	2.2	2.5	2.5	2.2
Quick ratio	2.0	2.1	2.5	2.5	2.1
Interest coverage ratio	7.0	5.1	2.2	4.7	47.0
Net Debt to Equity (%)	7%	7%	-11%	-26%	-53%
Valuation (x)					
P/E	28.7	36.6	77.4	41.9	2.4
P/B	1.7	1.6	1.6	1.6	1.0
EV/EBITDA	12.8	15.3	11.6	11.5	0.8
Cash Conversion Cycle					
Trade receivable days	56	56	64	60	58
Inventory days	2	2	2	2	2
Trade payable days	24	23	25	24	23
CCC days	34	35	41	38	37

Cash Flow Statement

YE 31 Dec S\$m	FY2017A	FY2018A	FY2019A	FY2020A	FY2021A
PBT	10.7	8.2	4.9	7.8	130.6
Amortisation of intangible assets	0.0	0.0	0.1	0.2	0.6
Depreciation of PPE	12.9	11.4	9.2	8.0	6.3
Depreciation of ROU	0.0	0.0	8.6	5.9	26.4
Others	1.0	0.9	2.5	10.7	1.5
Interest expense	1.7	1.8	2.9	1.6	2.8
Interest income	(0.6)	(0.7)	(1.0)	(0.7)	(0.3)
Share of results of associate/JV	(0.7)	(0.8)	(1.5)	(1.8)	(2.3)
Operating cash flow before WC changes	25.0	20.9	25.6	31.8	165.5
Inventories	0.2	0.4	0.4	(0.0)	0.2
Trade receivables	(15.3)	(12.6)	10.8	6.3	(59.9)
Trade payables	2.9	1.8	(2.0)	(5.2)	10.4
Others	(1.4)	(10.3)	(0.0)	9.0	13.4
Operating cash flow after WC changes	11.5	0.2	34.8	42.0	129.6
Interest paid	(1.7)	(1.8)	(2.9)	(1.6)	(2.8)
Income taxes paid	(0.6)	(0.5)	(0.9)	(0.2)	(0.5)
Net cash from operating activities	9.2	(2.2)	31.0	40.2	126.3
Purchase of PPE	(5.7)	(4.1)	(4.0)	(1.8)	(3.0)
Purchase of intangible asset	(0.0)	(0.1)	(0.1)	(1.3)	(0.1)
Others	15.1	8.4	21.5	2.4	26.9
Net cash used in investing activities	9.3	4.2	17.5	(0.7)	23.8
Proceeds from bank borrowings	0.0	30.2	19.2	0.0	0.0
Repayment of bank borrowings	(22.5)	(50.1)	(26.8)	(6.5)	(11.5)
Dividends paid to SH	(1.9)	(3.0)	(3.0)	(2.9)	(6.2)
Others	1.7	4.1	(10.9)	(0.8)	(23.5)
Net cash from financing activities	(22.8)	(18.8)	(21.5)	(10.2)	(41.2)
Net (decrease)/increase in cash	(4.3)	(16.8)	27.0	29.3	108.9
Cash at beginning of financial year	42.0	37.9	20.7	47.8	77.0
Foreign exchange rate changes	0.2	(0.4)	0.0	(0.0)	0.2
Cash at end of financial year	37.9	20.7	47.8	77.0	186.1

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