

May 2021. Investment ideas. Stocks.

Matson Inc. (MATX US) is involved in transportation and logistics. The Company offers multimodal transportation services to the North American market, including domestic and international rail intermodal service, long haul and regional highway brokerage, etc. Matson carries out its business in two sectors: sea transport (over 75% of net sales) and logistics (nearly 25%). Purchase to the “Optimum” portfolio at \$63.92. Portfolio share 3%.

Company	MATSON
Ticker	MATX US
Sector	Transport
Capitalization, \$ million	2,804
EV, \$ million	3,764
Dividend yield	1.4%
Entry level, \$	63.92
Current price, \$	64.55
Result	1,0%

Source: Bloomberg

Source: Bloomberg

Key investment attractiveness factors.

- 1) **Strong results in Q1 2021.** Matson’s revenue grew by 38.5% to \$711.8 million in the reporting quarter. Quarter’s EBITDA increased by 163% year-on-year reaching \$203.9 million. EBITDA margin was 28.6% versus 15% in the previous year. Net profit spiked 23 times (!) reaching \$87.2 million.
- 2) **Free cash flow rose by 99% and reached \$84.4 million.** Besides, Matson reduced its cumulative financial debt by 18% year-on-year which amounted to \$972 million. Its year-end net cash position was about \$1.5 billion.

3) **Freight rate growth.** Matson continued to receive a significant rate margin in the first quarter of 2021 which fact essentially explains growth of its financial performance. The Company achieved mean freight rates which were significantly higher than in the previous year. In particular, Drewry World Container Index, which traces freight costs in the global market, grew by 26% since early April.

Drewry World Container Index

4) **Highly diversified business and stable customer base.** Top 10 Matson's Ocean Transportation's customers account for nearly 25% of total revenue in this segment. Top 10 largest customers in the logistics segment account for about 20% of total revenue in the segment.

Risks. Delivery chain currently remains considerably overloaded, especially in California ports. This may spill over to the second quarter of 2021 and the usual peak season. Another risk associated with Matson is global economy's post-pandemic recovery being slower than expected.

Financial highlights, \$ million	2019	2020	2021P*	Change, %
Revenue	2,203	2,383	2,831	19%
Gross profit	325	479	566	18%
EBITDA	360	556	612	10%
Net profit	79	195	265	36%
EPS	1.84	4.53	7.41	63%
<i>Gross margin</i>	<i>15%</i>	<i>20%</i>	<i>20%</i>	<i>0%</i>
<i>EBITDA margin</i>	<i>16%</i>	<i>23%</i>	<i>22%</i>	<i>-2%</i>
<i>Net margin</i>	<i>4%</i>	<i>8%</i>	<i>9%</i>	<i>1%</i>

*P – Projection

Source: Bloomberg

Debt burden, \$ million	2019	2020	2021P*	Change, %
Gross debt	1,223	1,004	972	-3%
Cash	1,750	2,461	2,804	14%
Net debt	-527	-1,457	-1,832	26%
Net debt/EBITDA	-	-	-	-

*P – Projection

Source: Bloomberg

Benchmarking against similar companies, 2021P*	Country	P/S	EV/EBITDA	P/E
ZIM INTEGRATED	USA	0.8	2.6	2.1
KIRBY	USA	1.8	16.5	13.8
STAR BULK	China	2.3	5.7	6.7
GOLDEN OCEAN	India	2.8	6.4	-
DANAOS	RSA	2.3	6.8	3.6
COSTAMARE		2.2	6.1	7.9
SFL CORP		2.3	10.2	4.8
Weighted average		2.1	7.8	6.5
MATSON	USA	1.0	6.1	10.6
Discount/(premium)		111%	26%	-39%

*P – Projection

Source: Bloomberg

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