

**SECURITIES INVESTOR ASSOCIATION  
(SINGAPORE)**



**“Finding Value in the Market”**

**August 26, 2000**

# **Samudera Shipping Line Ltd**



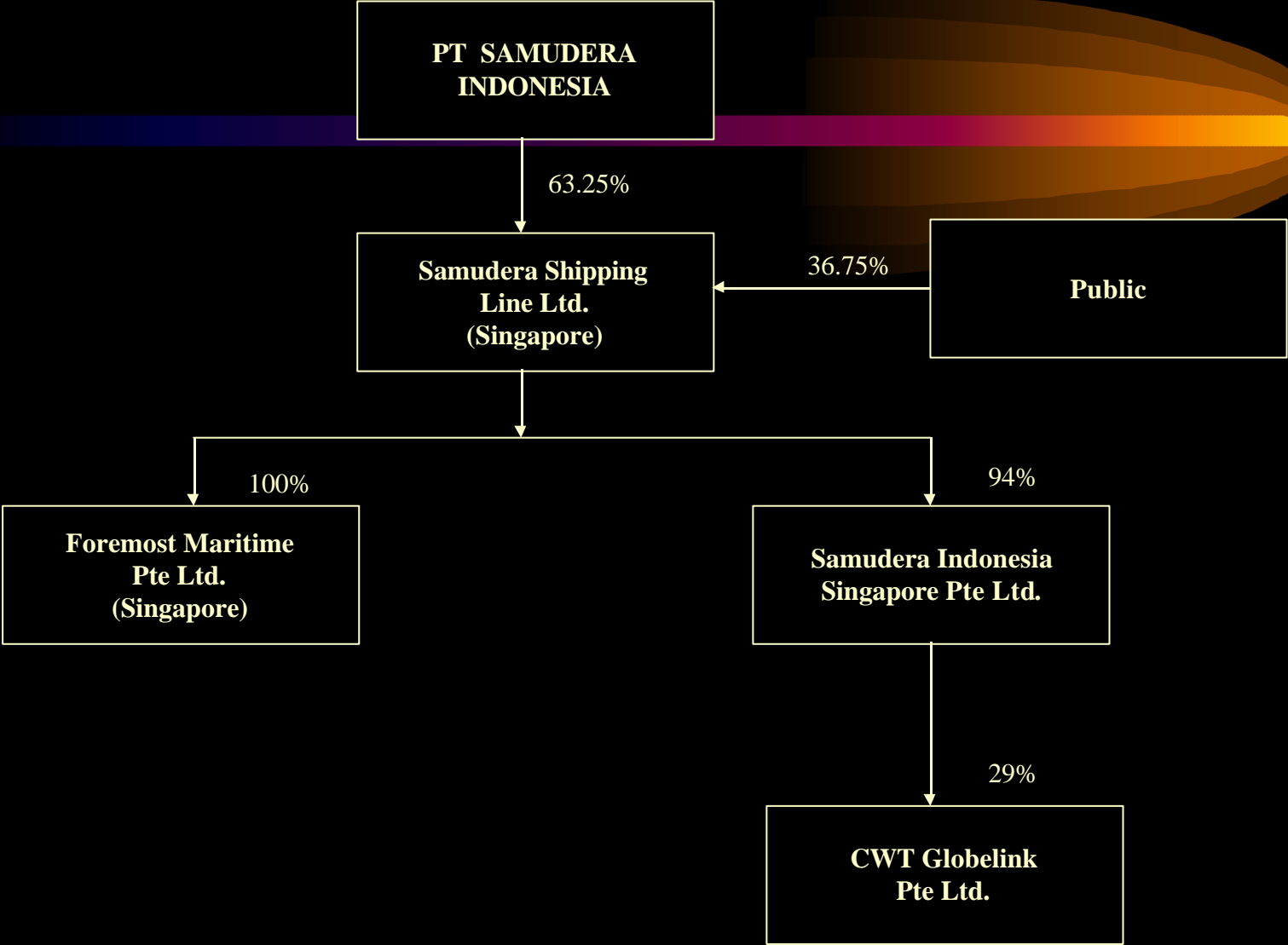
**Business Profile, Performance  
and Prospects**

# AGENDA



- **Business Definition & Characteristics**
- **Current and Future Strategy**
- **Financial Highlights - 1999**
- **Activities in 2000**
- **Future Challenges & Conclusions**

# SAMUDERA GROUP STRUCTURE CHART



# **BUSINESS DEFINITION & CHARACTERISTICS**



- **Container Shipping : by SSL**
- **Industrial Shipping : by Foremost**

# **Logic of Hub Ports In Container Shipping**

- **International trade in goods - the key demand driver for the industry**
- **Customers : Shippers - manufacturers, traders, freight forwarders**
- **Service Users Need : (a) quicker delivery & (b) higher frequency of calls - for low inventory**
- **Shipping Companies Want : (a) higher load factor & (b) less waiting time at port**

## **Logic of Hub Ports** *(continued)*

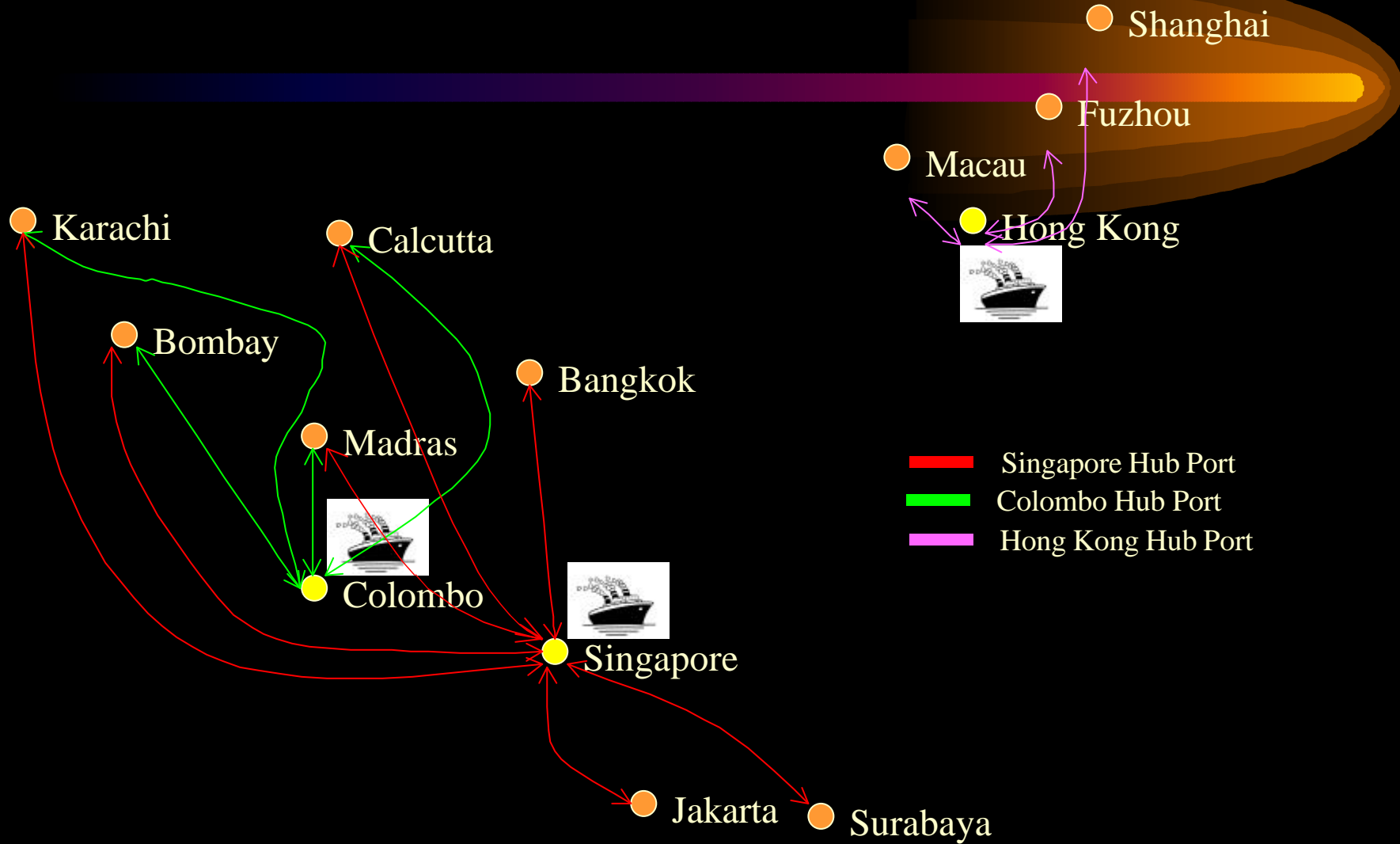
- **Capital Intensive & Competitive - emergence of bigger ships on long haul for lower unit cost**
- **For ports with smaller volume : conflict between service users and providers**
- **Emergence of (a) Hub to Hub service using bigger ships and fewer calls, supported by (b) Spokes to Hub service using smaller ships with high frequency**
- **Successful Hub Ports, like PSA, need well established Feeder Network - strategic partners**

# Long-Haul Service By Main Line Operators





# Feeder Service



# Container Feeder Shipping Characteristics

- **Volume driven business - load factor key**
- **Feeder as a strategic partner to a hub port**
- **“Vendor” of MLOs: *feeder service, spoke to hub vv*,  
“Carrier” for Cargo Owners: *liner, spoke to spoke***
- **Margin as *carrier* higher than as *vendor***
- **Short / medium haul : quick turn-around**
- **Ship Ownership - Not Must; Can Charter**
- **Not very capital intensive**

# **Industrial Shipping Characteristics**



- **Non-containerized bulk cargoes - dry, liquid & gas;**
- **“Distribution” oriented**
- **Highly capital intensive**
- **Investments against long term contracts**
- **Steady cash flow, stable revenue streams**
- **Margin better than container shipping**

# **CORPORATE STRATEGY : SSL GROUP**



- **Diversify Geographically**
- **Strike a balance between (a) high volume - low margin business of Container Shipping, and (b) low volume - better margin business of Industrial Shipping**
- **Follow conservative financing policies ; Pursue controlled capital expenditure without overstretching the gearing**

# STRATEGY for Container Shipping

- **Current Strategy - Grow Regionally to spread the risks : being pursued since 1993**
- **Future Supplementary Strategy - Aggressively promote “*Carrier*” business, as opposed to “*Vendor*”, as the Growth Driver, due to higher margin**

# Strategy : Grow Regionally

*Main Considerations were :*

- **By 1993 established itself as a dominant player in Indonesia**
- **Growth of regional economies then presented opportunities to grow outside Indonesia**
- **Potential MLO customers outside - same as those prevailing in Indonesia**
- **Prospered in Indonesia based on competition - so, can compete anywhere : *Management Confidence***

## Other Considerations ...

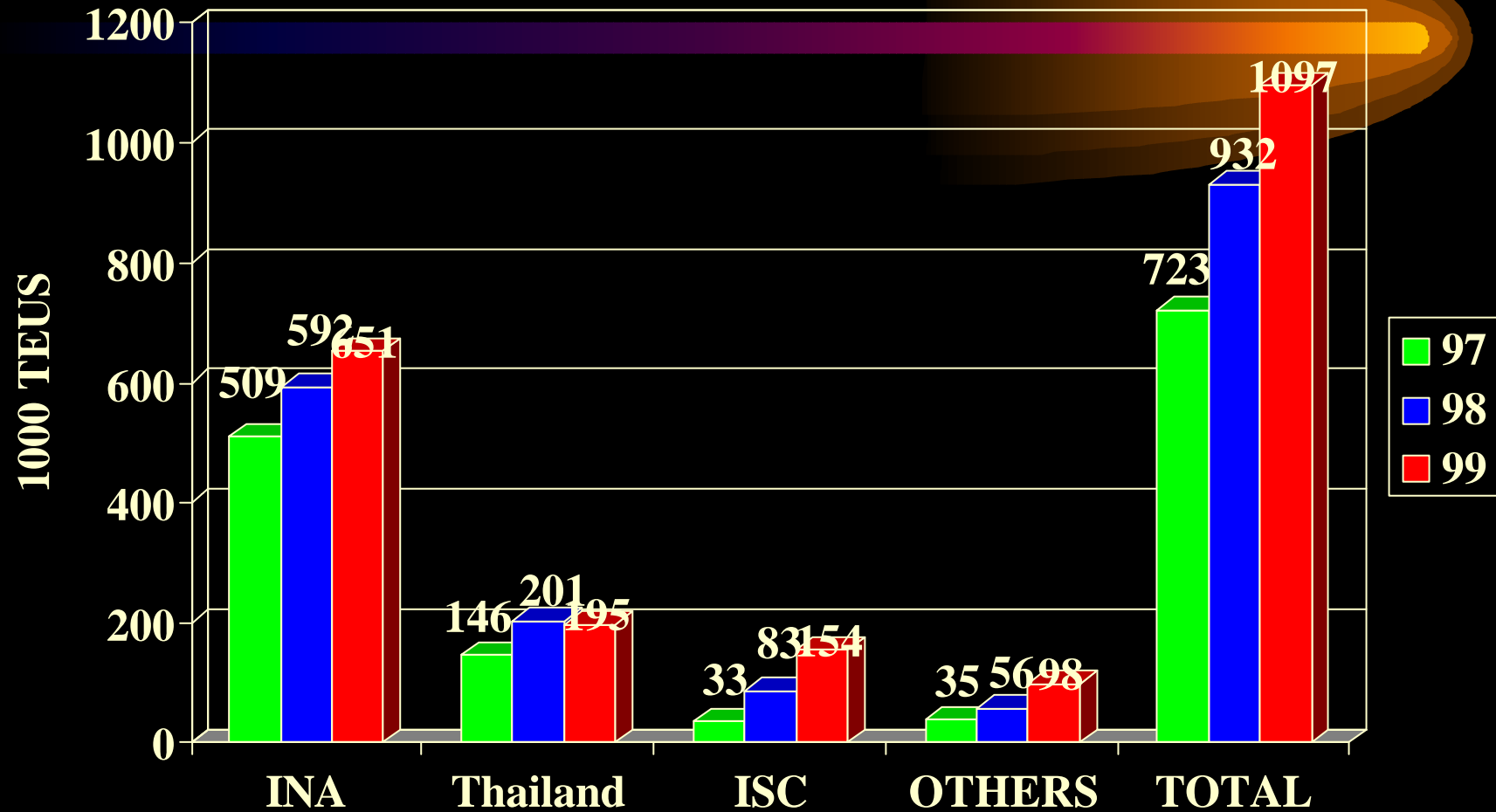
- **Feeder business : high volume - low margin**
- **Volume driven - so maximize profit by increasing volume**
- **Increase volume - by opening new routes, around the existing and new hubs**
- **New route development does not require too much of capital investment, requires *additional working capital* only**

# Chronology of Regional Growth

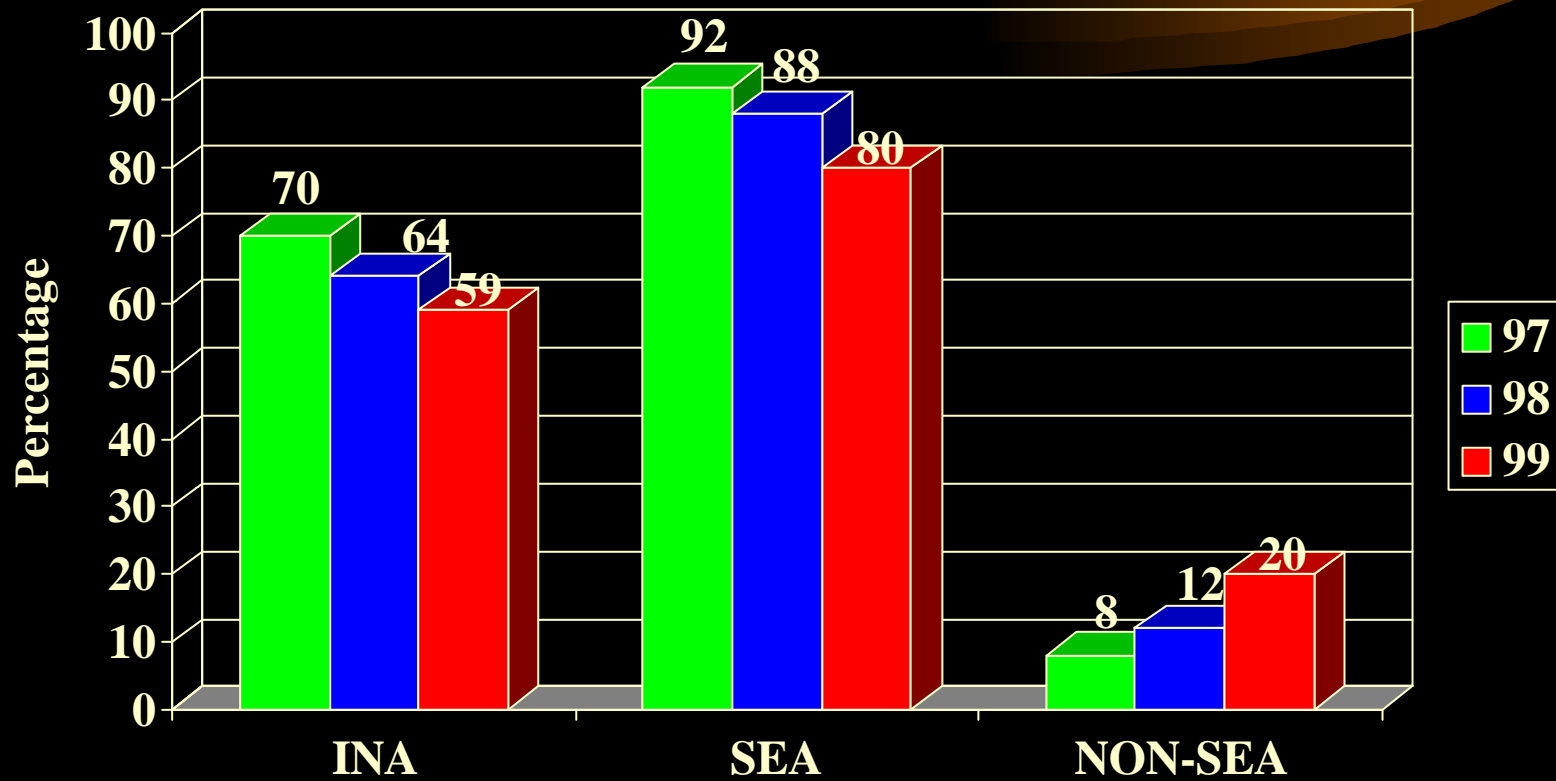
- **1993 : Singapore - Bangkok**
- **1996 : Singapore - Mumbai**
- **1997 : Singapore - Karachi, Colombo - Karachi**
- **1998 : Singapore - Madras, Singapore - Calcutta, Dubai - Bandar Abbas**
- **1999 : Dubai - Karachi; Dubai - Upper Gulf**
- **2000 : Dubai - Kandla, Singapore - Hong Kong - Shanghai**



# Container Volume Distribution by Area



## *% Contribution by Area to Volume*



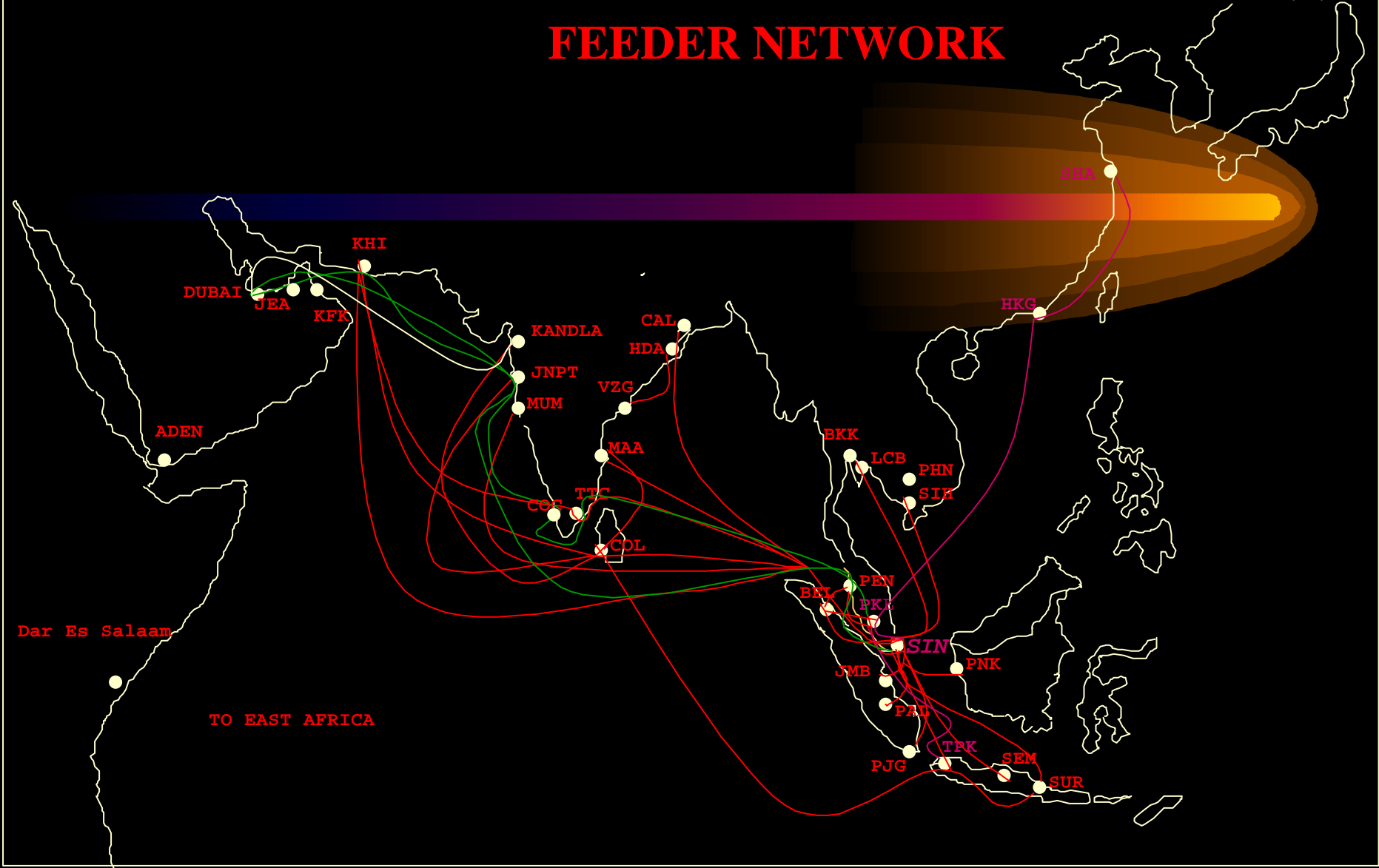
# **So, How Does Our Present Business Network Look Like ?**



*Current Snap Shot*

UPDATED AS AT 25/08/2000

# FEEDER NETWORK



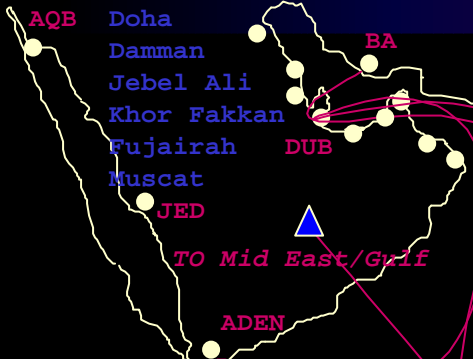
UPDATED AS AT 25/08/00

# LINER NETWORK

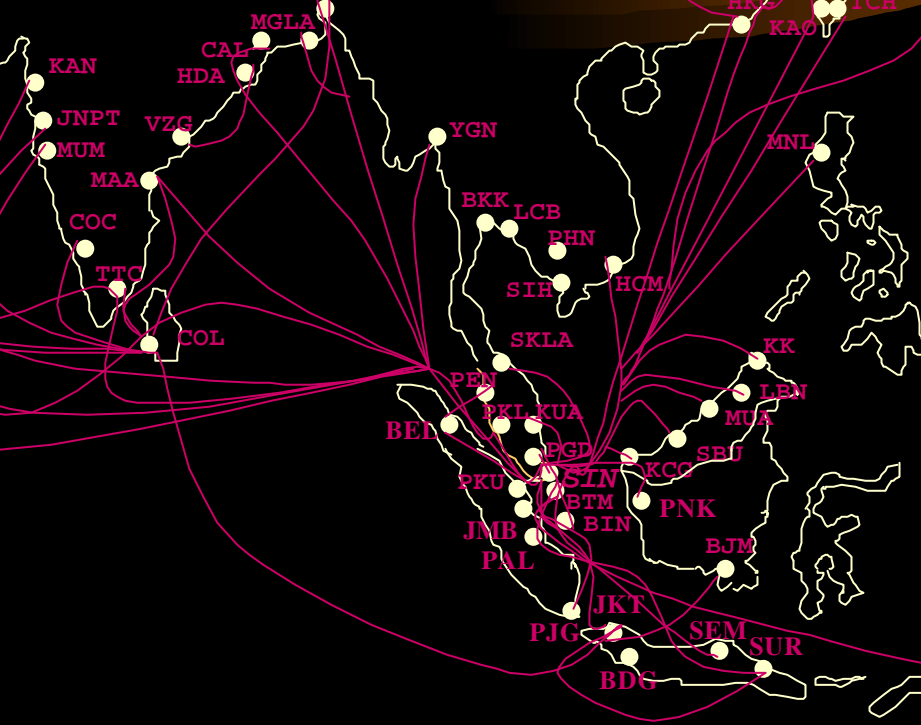
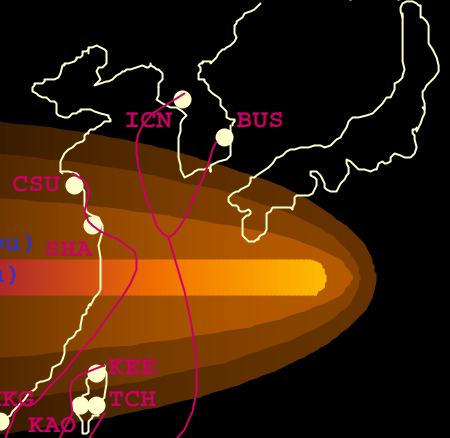
## LEGEND.

— LINER ROUTE

- Kuwait
- Abu Dhabi
- Doha
- Damman
- Jebel Ali
- Khor Fakkan
- Fujairah
- Muscat



- TO SOUTHERN PRC
- Guangzhou (Huangpu)
- Shenzhen (Sakhou)
- Zhaoqing
- Zhongsan
- Rong Qi



- Sydney
  - Melbourne
  - Brisbane
  - Fremantle
- TO AUSTRALIA

# Our Competitors



- **RCL and ACL for South East Asia**
- **Sea Consortium and Bengal Tiger Line for Indian Subcontinent and Middle East**

# Container Shipping Future Strategies

- **Business as *Carrier* as the growth driver :**  
**Increase the % of “Carrier” volume**
- **Continue regional expansion of *feeder* business;**
- **Explore new business, by opening new routes around other hubs - Duplicate The Success Story**

# **Industrial Shipping Basic Strategies**



- **Identify the market segments with growth potential and intrinsic needs of long term contracts**
- **Invest in, modern second-hand or new-built tonnage, against US\$ denominated long term contracts, preferably from the end users**
- **Contracts from reputable and financially sound customers**



# Industrial Shipping Current Fleet

- **Chemical Tankers: 6 units; 1 \* 2,200 dwt 1 \* 2,800 dwt, 2 \* 3,500 dwt and 2 \* 7,700 dwt on medium term, i.e. 3 to 5 years' contracts**
- **Cement Carrier: 1 unit \* 6,200 dwt, self-unloading type, on 12 years' contract**
- **Product Tankers: 2 units \* 17,500 dwt, 1 under construction, on 10 years' contract**

# FINANCIAL PERFORMANCE



- **Selected Achievements**
- **Profitability**
- **Gearing**
- **EPS, NTA, P/E**

## **Selected Achievements - 1999**

- **Volume : surpassed the break-through figure of One Million TEUs**
- **Volume : Ranked number six by PSA in terms of contribution to total port throughput**
- **Standard & Poor's Rating : “Fair”, shared the top rank with another company, amongst all the listed shipping companies in SEA**

# Financial Highlights : Profitability

<u>(S\$ m)</u>	<u>Revenue</u>	<u>PBT</u>	<u>PAT</u>
1997	256.4	12.3	11.5
1998	316.7	17.2	17.0
<i>Growth</i>	<i>24.0 %</i>	<i>48.5 %</i>	<i>50.7 %</i>
1999	367.3	21.3	20.5
<i>Growth</i>	<i>16.0 %</i>	<i>23.8 %</i>	<i>20.6 %</i>
<b>CAGR</b>	<b>20.0 %</b>		<b>34.0 %</b>

# Financial Highlights - Gearing “Interest bearing Debt” : Equity

	<u>1997</u>	<u>1998</u>	<u>1999</u>
SSL	0.5	0.4	0.2
<b>GROUP</b>	<b>1.1</b>	<b>0.9</b>	<b>0.5</b>

- Compare against the covenant of **2 : 1**
- A lot of debt capacity which, if necessary for new investments, may be partially used.

## EPS, NTA per share, P/E

<u>(cents)</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
EPS	3.56	4.02	4.63
NTA per share	18.51	22.06	30.99
P/E - on historical earnings (as of 25.08.2000)			7.9

# Performance and Share Price: Not at tandem

- **Company has a sound strategy in place, has a professional management team and participates in a growing industry**
- **It has almost doubled its profits in two years, from 11.5 M in '97, the year of its listing, to 20.5 M in '99**
- **However, its shares are now trading below the IPO price of 39 cents**

# **Concerns on Samudera's Indonesian Presence: A Myth**

- **Participates in the transportation of import / export cargoes, in the country's international trade - no political influence**
- **Export has continued to grow, and imbalance between inbound & outbound has reduced**
- **Its Indonesian volume although growing every year, has gone down as % contribution to overall volume, thus reducing dependency on a single country**



# **Concerns on Samudera's Indonesian Presence: A Myth (continued)**

- **Customers are multinational companies, such as Hapag Lloyd, Mitsui etc., and hence no “Collection Risks”**
- **Revenues are all US\$ denominated and hence no “Currency Risks”**
- **Conclusion: “Concerns, if any, on Samudera's Indonesian Business, are misplaced”**

## **Selected Key Activities in 2000**

- **Migrated to Main Board**
- **Started a new container service : Singapore - Hong Kong - Shanghai**
- **Commenced service on 1 \* 17,500 dwtlt product tanker to Pertamina against 10 year contract**
- **Commenced service on 1 \* 2,800 dwt chemical tanker against 5 year contract**

# Future Prospects and Plans

- **Expected continued growth in international trade of goods = demand driver**
- **In the near term, rate restoration in various trade lanes should be a positive factor**
- **Shall explore the possibilities of owning & managing Container Terminal, at a “spoke” port, where Samudera has strong volume**
- **Shall explore the possibilities of growth through acquisition = suitable feeder company**

# Challenges for Future

- To produce continuous and sustainable *profit growth* - expected from a public listed company
- To maintain, if not improve, the *margin*, in a highly competitive industry
- To manage an increasingly *geographically spread* organization
- To embrace *E-Commerce*

# CONCLUSIONS

- **Management : professional, transparent, entrepreneurial & opportunity seeking**
- **Strategies : well defined, focused on specific markets**
- **Reputable customer base - e.g. Mitsui, Stolt**
- **Financial Management : conservative and prudent; Low Gearing**
- **Excellent Growth Potential - with signs of economic recovery**

# Thank you



- **An ideal opportunity to promote and invest in an inexpensive stock**
- **A professionally run, growth oriented, geographically diversified, profitable company**