



# Matson (MATX)

Updated February 28<sup>th</sup>, 2025 by Nikolaos Sismanis

## Key Metrics

<b>Current Price:</b>	\$143	<b>5 Year CAGR Estimate:</b>	6.2%	<b>Market Cap:</b>	\$4.73 B
<b>Fair Value Price:</b>	\$131	<b>5 Year Growth Estimate:</b>	7.0%	<b>Ex-Dividend Date:</b>	02/06/2025
<b>% Fair Value:</b>	109%	<b>5 Year Valuation Multiple Estimate:</b>	-1.6%	<b>Dividend Payment Date:</b>	03/06/2026
<b>Dividend Yield:</b>	1.0%	<b>5 Year Price Target</b>	\$184	<b>Years Of Dividend Growth:</b>	11
<b>Dividend Risk Score:</b>	C	<b>Retirement Suitability Score:</b>	D	<b>Rating:</b>	Hold

## Overview & Current Events

Matson, based in Honolulu, Hawaii, is a leading provider of ocean transportation and logistics services, operating via two primary segments: Ocean Transportation and Logistics. The Ocean Transportation segment plays a critical role in serving the domestic non-contiguous markets of Hawaii, Alaska, Guam, and other island economies in Micronesia and the South Pacific. The segment also includes expedited services from China to Southern California and a large terminal network via Matson's 35% ownership stake in SSA Terminals which provides terminal and stevedoring services at eight facilities on the West Coast, with three terminals running exclusively for Matson's use in Long Beach and Oakland, California, and in Tacoma, Washington. The Logistics segment extends Matson's transportation reach throughout North America and Asia, offering a range of services such as intermodal transportation brokerage, freight forwarding, and warehousing. Matson generated nearly \$3.4 billion last year.

On February 25<sup>th</sup>, 2025, Matson posted its Q4 and full-year results for the period ending December 31<sup>st</sup>, 2024. Quarterly revenues grew by 12.8% to \$890.3 million. Ocean Transportation revenues rose by 16.0% to \$742 million mainly due to significantly higher freight rates and volume in China. Logistics revenue fell 0.7% to \$148 million mainly due to lower revenue in transportation brokerage, partially offset by higher revenue in supply chain management. EPS was \$3.80 compared to \$1.78 last year. For the year, EPS was \$14.14. For FY2025, we expect EPS of \$11.93.

## Growth on a Per-Share Basis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
<b>EPS</b>	\$2.37	\$1.89	\$5.38	\$2.55	\$1.93	\$4.48	\$21.67	\$27.28	\$8.42	\$14.14	<b>\$11.93</b>	<b>\$16.73</b>
<b>DPS</b>	\$0.70	\$0.74	\$0.78	\$0.82	\$0.86	\$0.90	\$1.06	\$1.22	\$1.26	\$1.32	<b>\$1.36</b>	<b>\$1.91</b>
<b>Shares<sup>1</sup></b>	43.5	43.1	42.9	42.7	42.8	43.1	42.8	39.0	35.3	33.7	<b>33.7</b>	<b>32.0</b>

Matson's EPS has been highly volatile over the years, reflecting the nature of its business model, which is heavily tied to global supply chains, shipping demand, and various external economic factors. As a provider of ocean transportation and logistics services, Matson is totally exposed to fluctuations in freight rates, fuel costs, and global trade dynamics that can sway its earnings either way. A look at its EPS history clearly shows the impact of underlying shifts in these variables

In 2015 EPS came in strong at \$2.37 driven by strong demand in core markets and the strategic acquisition of Horizon Lines' Alaska operations. However, EPS fell to \$1.89 in 2016 due to integration costs kicking in and industry overcapacity, which led to lower freight rates. The spike to \$5.38 in 2017 was due to a one-time gain from asset sales in Alaska, but EPS dropped again to \$1.93 by 2019, because of challenges like rising fuel costs and U.S.-China trade tensions.

The COVID-19 pandemic, however, marked a turning point, with EPS climbing to \$4.48 in 2020 and surging to \$21.67 in 2021 and \$27.28 in 2022, driven by port congestion and record-high freight rates due to global supply chain disruptions. By 2023, as supply chains normalized, EPS dropped to \$8.42, again demonstrating the inherent volatility in Matson's earnings, which is closely linked to the highly unpredictable nature of global shipping dynamics. In 2024, EPS rebounded following recovering rates and volume in China, despite lower domestic volume.

<sup>1</sup> Share count is in millions.

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We believe that Matson's earnings will grow from this year onwards due to ongoing disruptions in the global container shipping industry, including challenges like the ongoing blockage in the Suez Canal and Houthi attacks on vessels in the Red Sea, which have heightened geopolitical risks and strained global supply chains. We have applied a 7% EPS growth rate in our model through 2030. Still, we acknowledge that this is ultimately an arbitrary estimate, as estimating next week's spot rates is nearly impossible, let alone those several years into the future.

Despite the volatile nature of its earnings, Matson has managed to hike its payouts for 11 successive years. Prior to that time the company was part of Alexander & Baldwin (ALEX). It established its own dividend in 2012, hence the reset in its dividend growth track record. We see the dividend growing by 7%/annum through 2030, a rate Matson can easily afford.

## Valuation Analysis

Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	Now	2030
Avg. P/E	15.9	20.7	6.1	12.8	19.2	8.6	3.0	3.0	9.1	8.2	11.9	11.0
Avg. Yld.	1.9%	1.9%	2.4%	2.5%	2.3%	2.3%	1.6%	1.5%	1.7%	1.1%	1.0%	1.0%

Matson's P/E ratio has fluctuated widely over the past decade, mirroring the volatility in its earnings and shifting market expectations due to rapidly changing global trade conditions. We believe that a P/E of about 11 is fair through the cycle. This implies the potential for a valuation headwind. Today's premium reflects investors' forecast for earnings growth in the coming years. But again, given the unpredictability of Matson's earnings, valuing the company based on forward-looking estimates remains highly challenging.

## Safety, Quality, Competitive Advantage, & Recession Resiliency

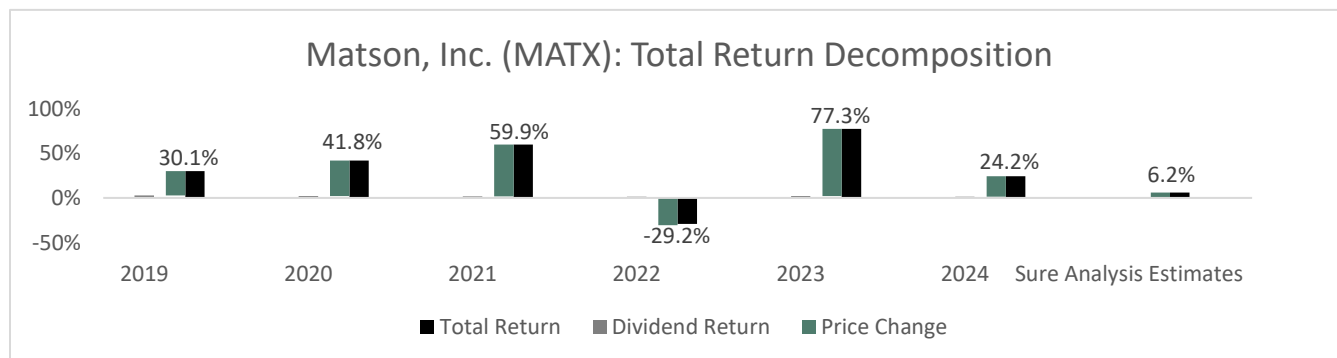
Year	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2030
Payout	30%	39%	14%	32%	45%	20%	5%	4%	15%	9%	11%	11%

We believe that Matson's dividend is secure, with its payout ratio hovering at particularly low levels. We believe Matson has some solid competitive advantages, like its critical ownership stake in SSA Terminals, which allows for dedicated terminal services at key U.S. West Coast ports, ensuring efficient cargo handling and faster turnaround times. However, Matson is not immune to economic downturns. In a recession, the company could face issues due to reduced consumer demand, lower shipping volumes, and pressure on freight rates, could adversely impact its profitability. Finally, industry-specific trends (e.g., vessel oversupply/scarcity) can significantly influence Matson's performance, either boosting profits in times of scarcity or pressuring margins during oversupply, depending on prevailing market dynamics.

## Final Thoughts & Recommendation

Matson is a key player in the shipping industry. Its earnings can grow from here due to favorable market conditions. Yet, long-term EPS may exhibit volatility, particularly in response to industry-specific tailwinds and headwinds. We forecast annualized returns of 6.2% through 2030 and rate Matson a hold. Still, we stress all estimates are highly speculative.

## Total Return Breakdown by Year



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## Income Statement Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Revenue	1,714	1,885	1,942	2,047	2,223	2,203	2,383	3,925	4,343	3,095
Gross Profit	281	375	324	326	348	325	479	1,368	1,532	624
Gross Margin	16.4%	19.9%	16.7%	15.9%	15.6%	14.8%	20.1%	34.8%	35.3%	20.2%
SG&A Exp.	147	195	183	207	221	217	225	237	261	283
D&A Exp.	70	83	97	101	94	161	190	239	294	286
Net Profit	71	103	81	231	109	83	193	927	1,064	297
Net Margin	4.1%	5.5%	4.2%	11.3%	4.9%	3.8%	8.1%	23.6%	24.5%	9.6%
Free Cash Flow	138	178	(22)	(82)	(96)	(62)	238	659	1,060	250
Income Tax	52	75	49	(106)	39	25	66	244	288	76

## Balance Sheet Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total Assets	1,402	1,670	2,016	2,252	2,430	2,845	2,901	3,693	4,330	4,295
Cash & Equivalents	293	26	14	20	20	21	14	282	250	134
Accounts Receivable	198	193	190	195	224	206	253	344	269	279
Goodwill & Int. Ass.	30	381	560	553	542	531	520	509	503	504
Total Liabilities	1,038	1,219	1,521	1,574	1,675	2,040	1,939	2,026	2,033	1,894
Long-Term Debt	374	430	739	857	856	958	745	615	505	429
Shareholder's Equity	364	451	495	677	755	806	961	1,667	2,297	2,401
LTD/E Ratio	1.03	0.95	1.49	1.27	1.13	1.19	0.77	0.37	0.22	0.18

## Profitability & Per Share Metrics

Year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Return on Assets	5.3%	6.7%	4.4%	10.8%	4.7%	3.1%	6.7%	28.1%	26.5%	6.9%
Return on Equity	20.2%	25.3%	17.2%	39.4%	15.2%	10.6%	21.9%	70.6%	53.7%	12.6%
ROIC	10.4%	12.7%	7.7%	16.7%	6.9%	4.9%	11.1%	46.5%	41.9%	10.6%
Shares Out.	43.0	43.5	43.1	42.9	42.7	42.8	43.1	42.8	39.0	35.3
Revenue/Share	39.50	42.84	44.63	47.38	51.69	50.88	54.79	90.86	110.5	86.68
FCF/Share	3.18	4.03	(0.50)	(1.91)	(2.24)	(1.42)	5.46	15.25	26.96	6.99

Note: All figures in millions of U.S. Dollars unless per share or indicated otherwise.

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