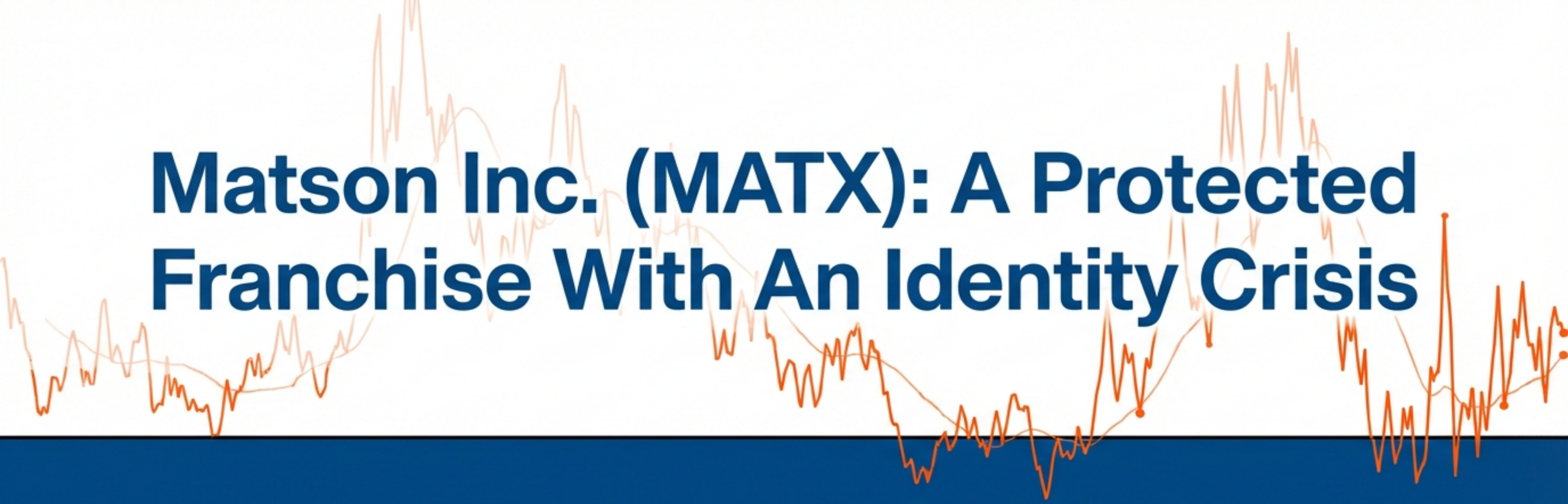
Matson Inc. (MATX): A Protected Franchise With An Identity Crisis



Deconstructing the $153 valuation:
Separating the permanent structural baseline from the **cyclical illusions** of the Transpacific trade.

Current Price:	FY25 EPS:	Normalized EPS Estimate:
~$153	**$13.81**	**$10 - $12**

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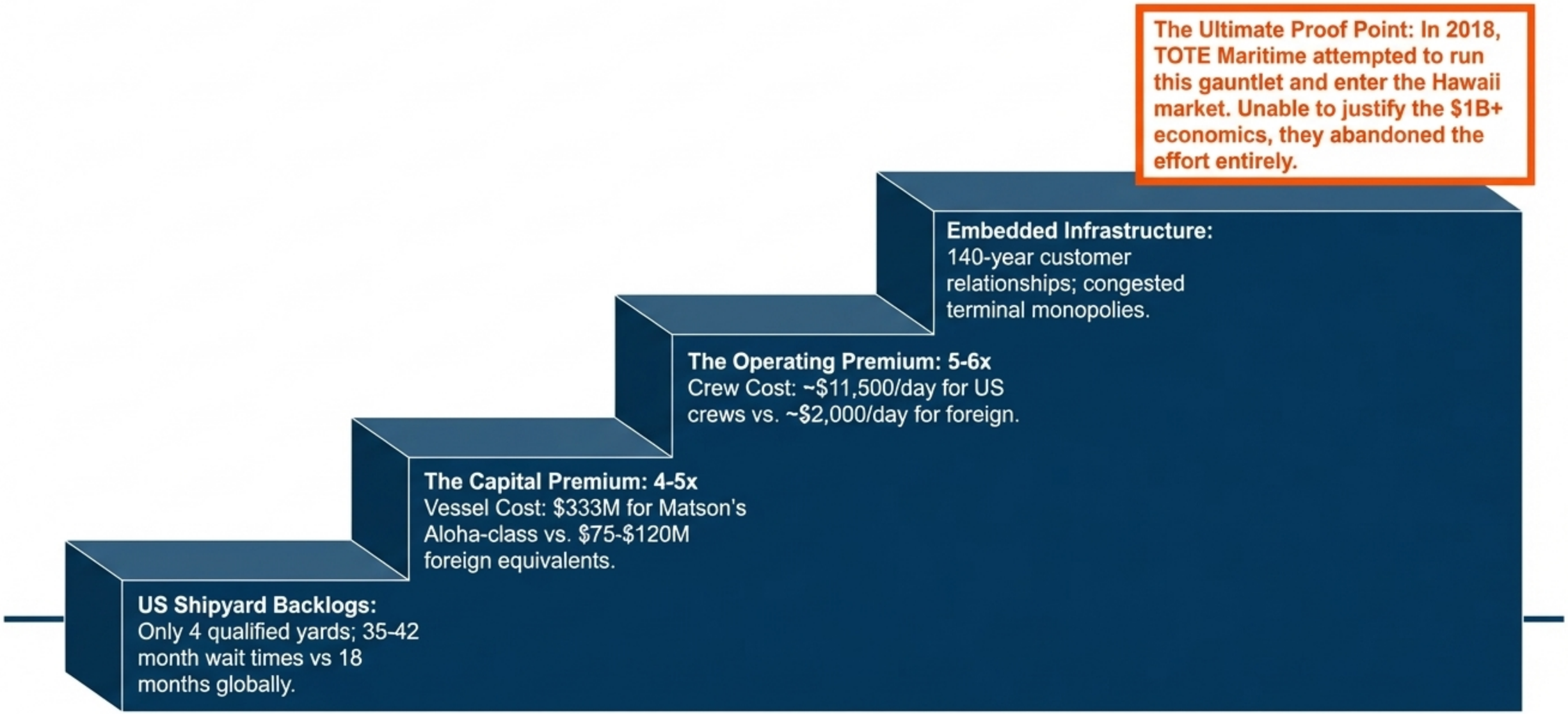
Two Distinct Engines Driving One Consolidated P&L

The Dual Identity Matrix

Domestic Fleet (Hawaii / Alaska / Guam)	China-Long Beach Express (CLX)
Revenue Base: ~50-55% of Ocean Revenue	**Revenue Base:** ~45-50% of Ocean Revenue
Growth Profile: 0-2% annually (constrained by declining Hawaii population)	**Growth Profile:** Highly volatile (Down 9.5% in FY25 due to tariffs)
Competitive Moat: Regulatory (The Jones Act Duopoly)	**Competitive Moat:** Operational (Unmatched 10-day transit speed)
Cash Flow Character: Stable, utility-like, contracted.	**Cash Flow Character:** Cyclical, spot-exposed, heavily distorted by Red Sea/Tariff events.

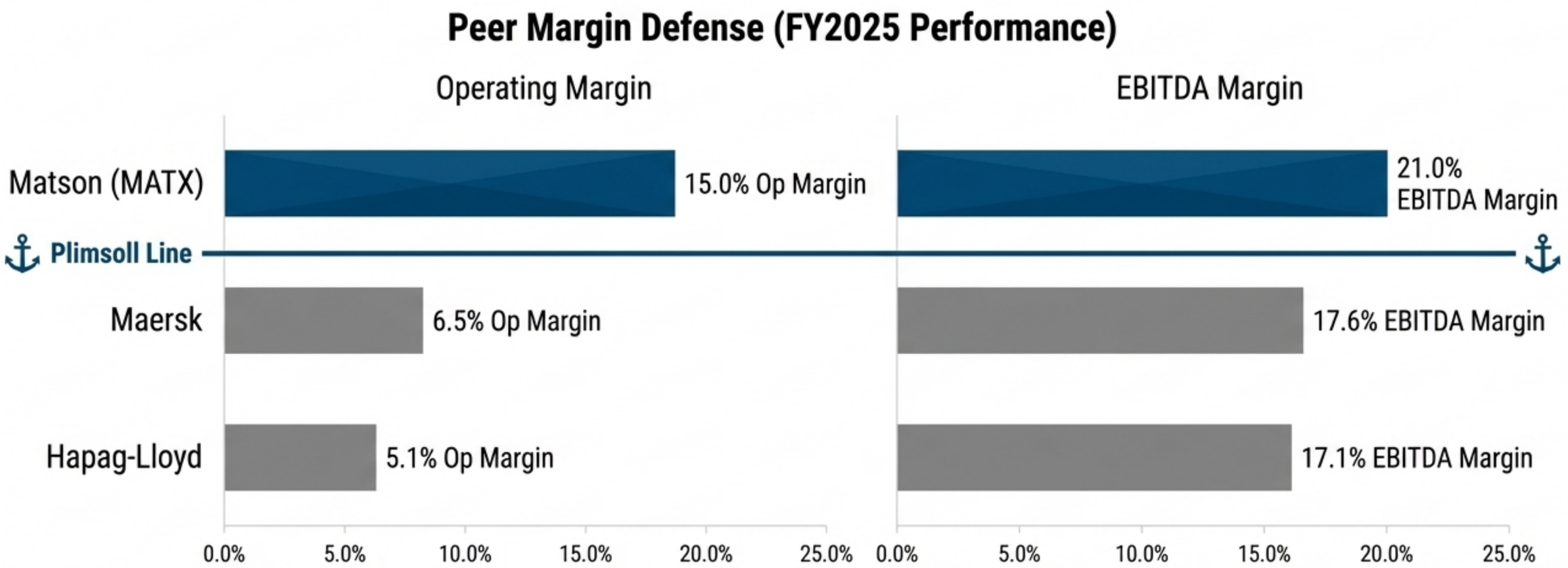
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The Jones Act Creates an Extraordinary, Quantifiable Gauntlet



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The Financial Weight of the Moat Defends Margins in a Downcycle

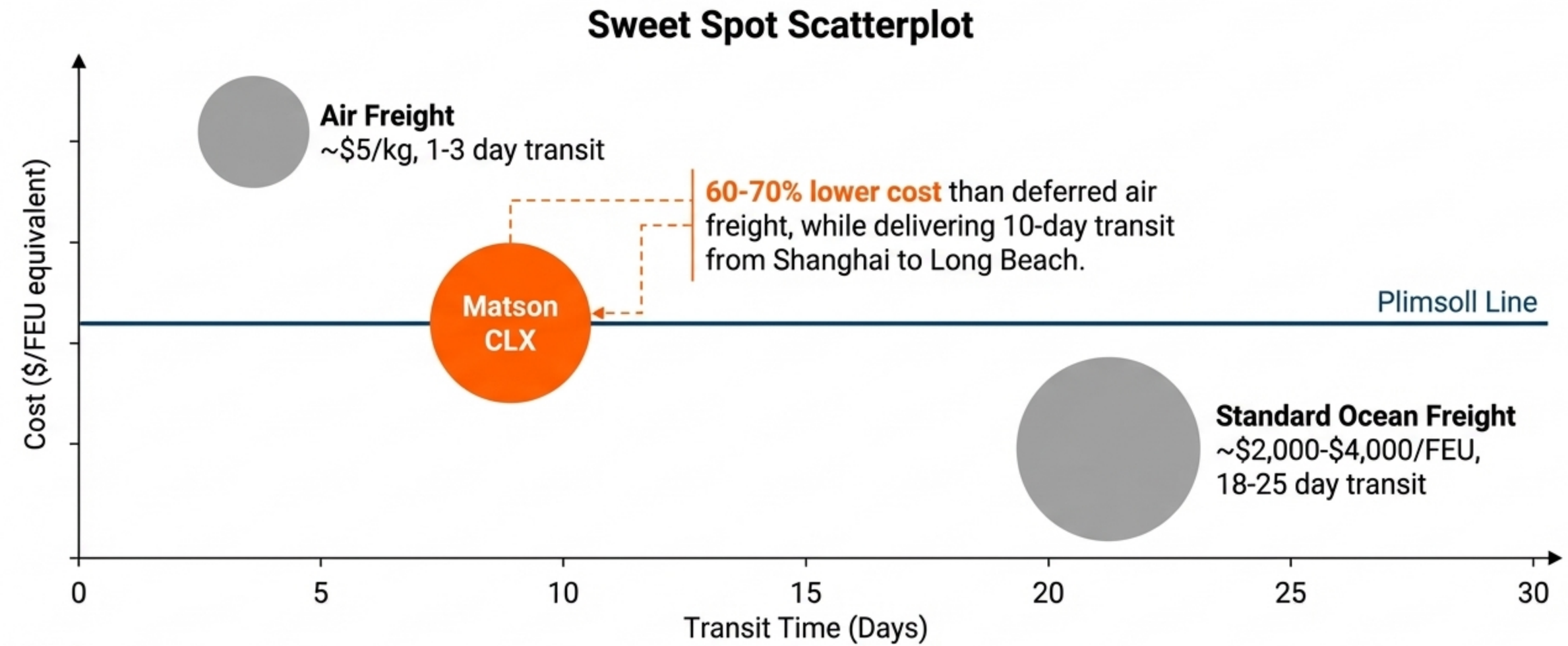


Insight Annotation
Matson commands a 3x operating margin premium over global container lines operating in the identical freight rate downcycle. This spread is the Jones Act and CLX premium translated into cash.

Note that pre-COVID normalized ROIC for Matson was 10-12%—adequate and highly protected, but not extraordinary relative to the capital intensity.

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The CLX Franchise Thrives in a Unique Logistical Sweet Spot

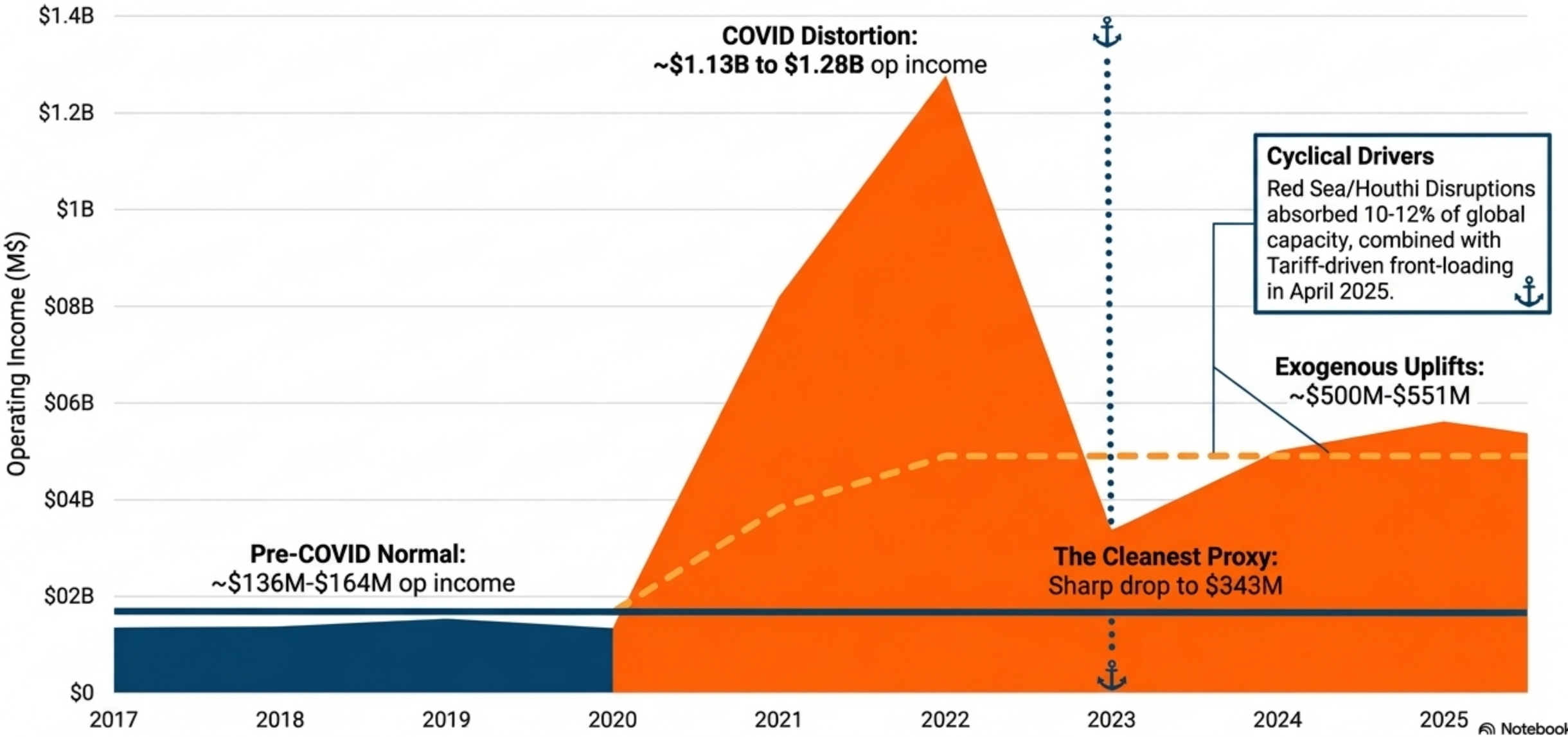


Operational Enablers: Dedicated C60 terminal in Long Beach via SSAT JV → Sub-25 minute truck turn times → Next-day cargo availability

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The Ledger and The Plimsoll Line

Financial History Reveals an 8x Pandemic Anomaly and a Slower Mean Reversion

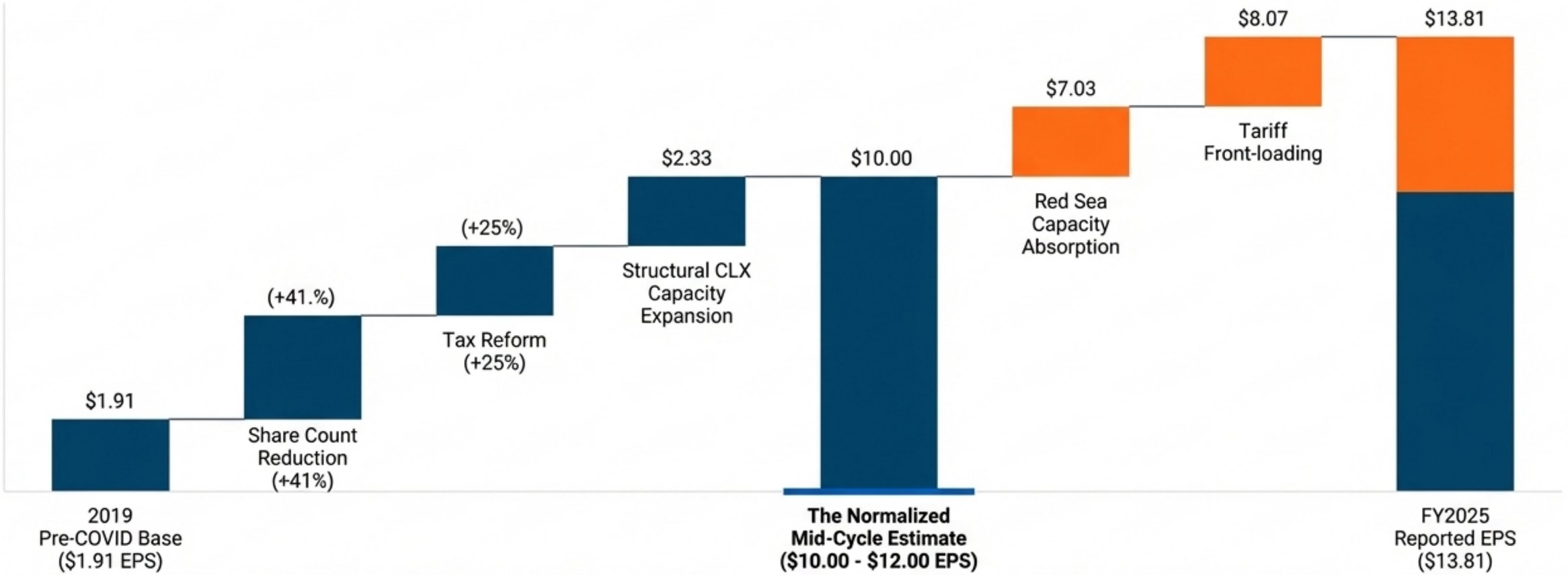


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PREMIUM EQUITY RESEARCH

Bridging the Earnings Gap: Stripping Away the Cyclical Illusions

The EPS Waterfall



Consolidated EPS has structurally grown 5x since 2019, but $2-$4 of current EPS remains a cyclicals illusion tied to geopolitical exogenous shocks.

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Masterful **Capital Allocation Transformed Temporary Windfalls** Into **Permanent Value**

Input: $2.26 Billion Operating Cash Flow
(FY21-FY22 COVID peak)

Debt Reduction: Dropped leverage to a fortress-like 0.5x Debt/EBITDA.

Fleet Renewal: $533M parked in the Capital Construction Fund (CCF) pre-funding the $1B Aloha-class newbuilds.

The Masterstroke: $1.3 Billion in Share Repurchases at an average price of ~$87-$92/share.

"By retiring ~32% of the float at severely discounted multiples, management ensured that even if the shipping market fully mean-reverts to 2019 operating levels, the per-share value floor has been structurally elevated forever."

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Uncovering the Hidden Asset Value (and the Tax Liability)

The Hidden Value

The Capital Construction Fund: $532.7M in Treasuries/Cash pre-funding 92% of remaining **$579M** vessel milestones.

The SSAT Joint Venture: 35% stake carried at just **$84.1M** book value despite operating 7 major West Coast terminals.

The Fleet Replacement Value: 14 vessels carried at **~$2.4B** book, but actual US shipyard replacement cost exceeds **$4B+**.

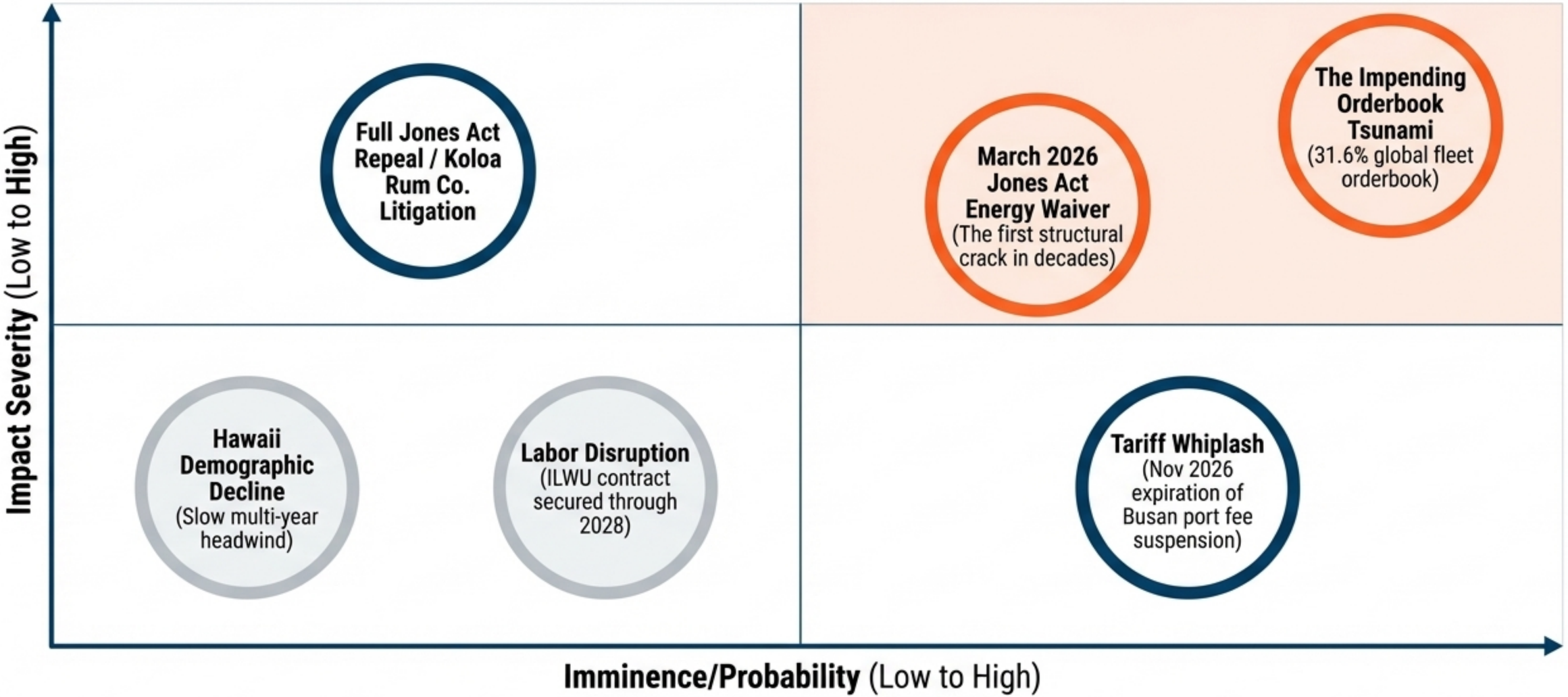
The Hidden Liability

Deferred Income Tax Liability: $693M built up from CCF deferrals and accelerated depreciation that will eventually reverse and consume cash flow.

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The Risk Register: Mapping Imminent Threats to Earning Power

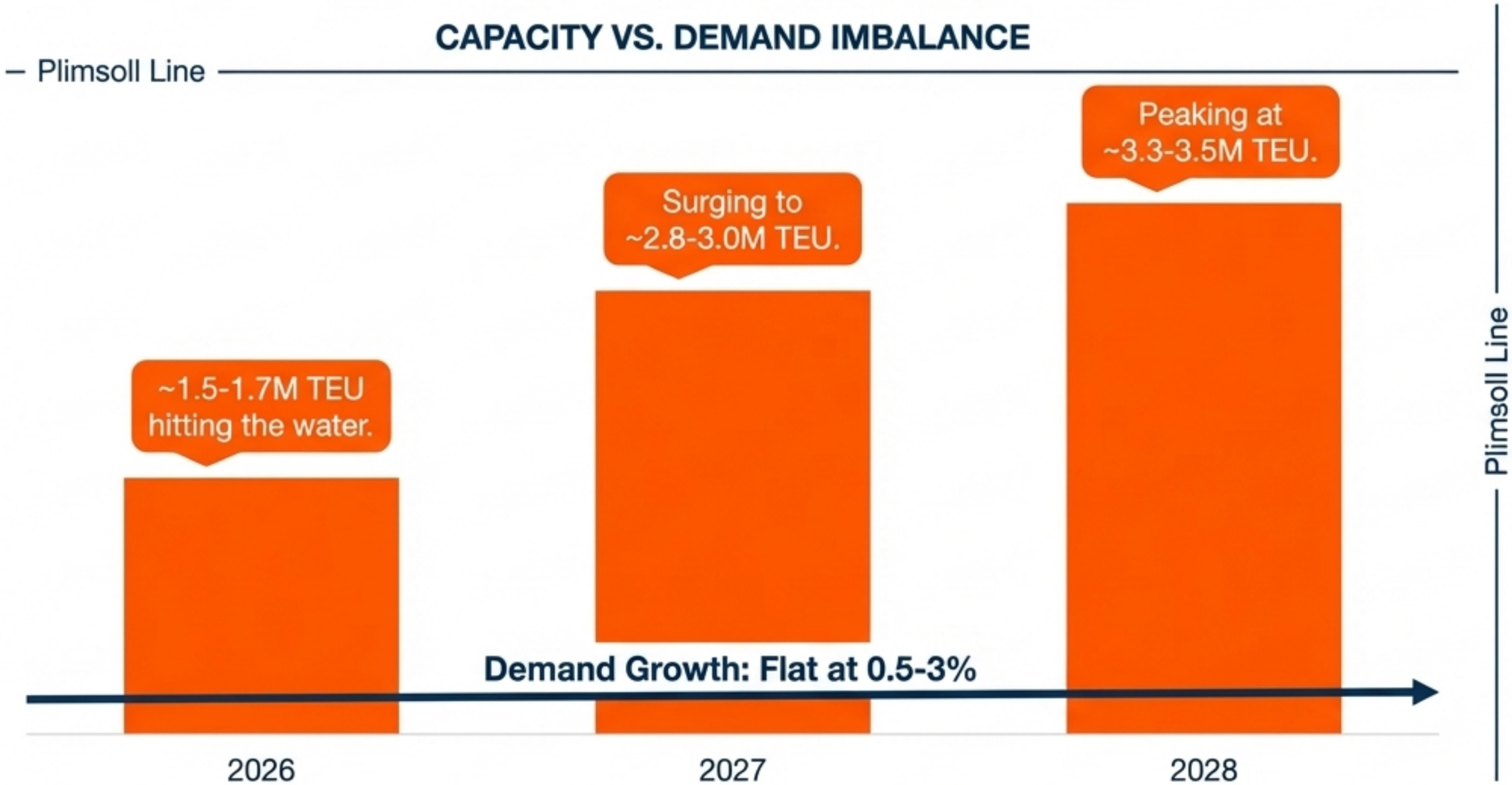
Plimsoll Line



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Premium Institutional Financial Research

The Global Orderbook Tsunami Will Crush Transpacific Margins



CONTEXTUAL METRICS

Current Orderbook: **31.6%** of existing fleet (highest since 2010).

Scrapping: Only **8,172** TEU demolished in 2025 (effectively zero).

Idle Fleet: Only **0.3%**.

Once the Red Sea routing normalizes, structural oversupply is guaranteed to persist through at least 2029, dragging down CLX spot exposure.

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The Moat is Under Active Political Siege

Plimsoll Line

April 2025: Pacific Legal Foundation files constitutional challenge (Koloa Rum Co. v. U.S.). Matson forced to intervene.

Late 2025: Project 2025 explicit calls for reform; Rep. Ed Case (D-HI) introduces 3 reform bills.

March 18, 2026 (The Catalyst Event): Trump administration grants 60-day Jones Act waiver for energy shipping amid Strait of Hormuz conflict.

While the March 2026 waiver does not directly target container shipping, it has brought Jones Act repeal into mainstream bipartisan discourse. A partial reform (e.g., dropping the U.S.-build requirement) would fundamentally destroy the barriers to entry established in Slide 3.

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The Reality Check: Weighing the Bull and Bear Scenarios

The Bull Case – $200+ Target

- Normalized EPS Assumption: $13.00+ Floor.
- CLX premium service step-up is permanent (data center racking/e-commerce).
- Jones Act remains legally unassailable.
- 6.7% shareholder yield compounds regardless of revenue growth.

The Bear Case – $100 Target

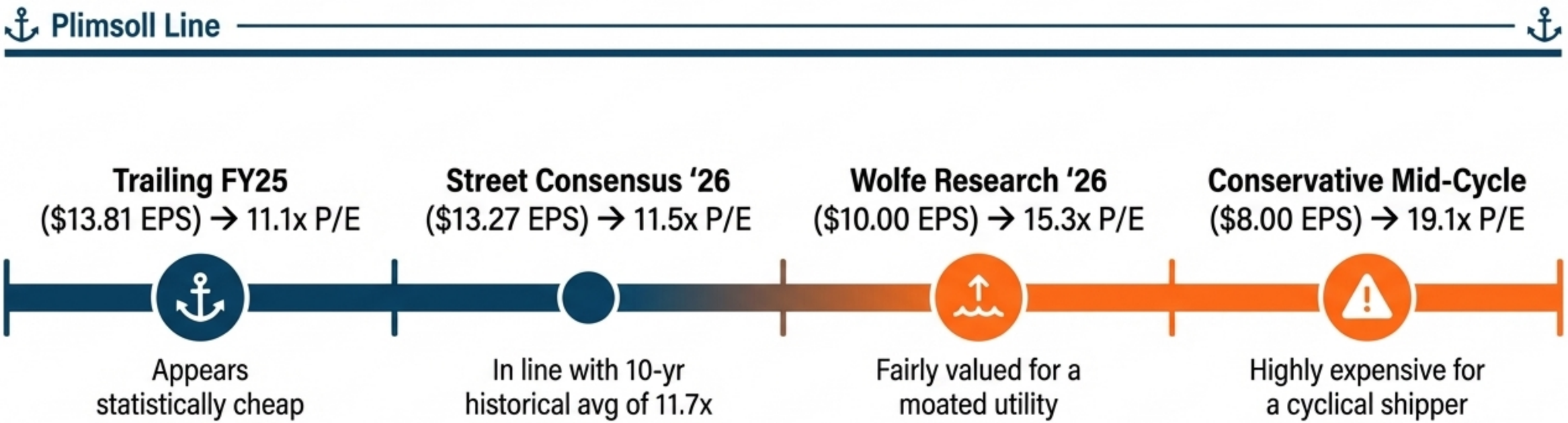
- Normalized EPS Assumption: $6.00 - $8.00 Reversion.
- CLX reverts to 2019 profitability as 31.6% orderbook crushes rates.
- March 2026 waiver opens the door to legislative reform.
- China decoupling permanently hurts volumes.

The 2023 proxy ($8.32 EPS)—the only recent year without pandemic, tariff, or Red Sea distortions—suggests the Bear case has slightly more historical gravity.

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The Ledger and The Plimsoll Line

Valuation at ~$153: Pricing in a Permanent ‘New Normal’



At **$153,** the margin of safety depends entirely on believing the post-COVID structural step-up is permanent. In the shipping industry, today’s “new normal” has a habit of becoming tomorrow’s **cyclical peak.** The stock is a compelling compounder at $120, but requires highly optimistic assumptions at current levels.

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