

Thursday, March 28 2024

BUY

Target Price **6100**

Last Price 4280
Upside 42,5%

Description

Sector Energy
Subsector Oil, Gas & Coal
Equipment services
Market Cap Rp4,3 tn

Shareholder Composition

PT Caraka Reksa Optima 34,9%
PT Kreasi Jasa Persada 34,0%
PT Sentosa Bersama Mitra 18,8%
Public 9,6%
Others <15% 2,5%

Analyst

Atikah Tri Adriyanti
Atikah.at@sfsekuritas.co.id

Raphon Prima
raphon.prima@sfsekuritas.co.id

Petrosea Tbk (PTRO)

New Chapter through Acquisition. PTRO has a new owner, namely PT Kreasi Jasa Persada, a subsidiary of CUAN. This acquisition signifies PTRO's official entry into the Barito group. In 2024F, we project PTRO's revenue to grow by 15% yoy and net profit 34.6% yoy, supported by: 1) Potential new projects from the Barito group; and 2) Addition of significant EPC contracts which will begin contributing in 2024F. We recommend a BUY with a target of Rp 6,100 based on an EV/EBITDA assumption of 3.8x.

Acquisition Marks New Beginnings. CUAN's subsidiary, PT Kreasi Jasa Persada, officially becomes the new controller of PTRO with a ownership stake of 34%. Currently, PTRO is officially integrated into the Barito Group conglomerate through this acquisition. We anticipate that with this acquisition, PTRO will benefit from: 1) Potential new projects from the Barito group; 2) Access to financial support from the Barito Group.

The increase in investment reduced the net profit in 2023. In 2023, PTRO's net profit was pressured mainly due to the increase in interest expenses on loans for investments, particularly the acquisition of PT Kemilau Mulia Sakti (KMS). Although initially a burden for PTRO, this acquisition is expected to be a positive catalyst in the future, indicating that PTRO's business expansion is not only limited to being a mining contractor but also as a mine owner. This is because KMS is the parent company of PT Cristian Eka Pratama (CEP), which is a company with mining business permits and coal production operations.

The significant value of new EPC contracts. In early 2024, PTRO secured a new contract from BP Berau Ltd with a contract value of USD297 million for a duration of 22 months. This figure is quite significant compared to the annual total revenue, which is around USD500 million.

The expectation of an increase in net profit. 34,6% yoy 2024F. In 2024F, Supported by additional revenue from new contracts and the potential for new projects from the Barito group, sales are estimated to grow by 15% yoy to USD584 million (2023F: USD508,1 million).

BUY with target 6,100. Currently, PTRO's valuation stands at 2.9x EV/EBITDA, which is above the three-year average of 2.2x. We recommend a BUY for PTRO with a target of 6,100 based on an EV/EBITDA assumption of 3.8x or at +2 standard deviations from the last three years.

USD thousand	2022	2023F	2024F	2025F	2026F
Sales	476,317	508,129	583,748	643,976	710,606
Gross Profit	95,494	69,424	83,354	95,504	108,709
Operating Profit	60,933	31,377	39,651	47,305	55,535
EBITDA	125,391	106,190	121,875	134,584	148,641
Net Profit	40,924	14,914	20,071	27,199	33,882
EPS	579	229	308	418	521
EV/EBITDA (x)	2.4x	2.6x	2.3x	2.1x	1.9x
P/B (x)	1.0x	0.9x	0.9x	0.8x	0.8x
Gross Margin	20.0%	13.7%	14.3%	14.8%	15.3%
Net Margin	8.6%	2.9%	3.4%	4.2%	4.8%
ROE	13.8%	5.0%	6.4%	8.2%	9.6%
ROA	6.9%	2.0%	2.7%	3.6%	4.1%

Source: SF Sekuritas

Update EPC New Contract from BP Berau



Source: PTRO, SF Sekuritas

DETAIL PROJECT

Tangguh Expansion Phase 2, BP Berau Ltd. are working to deliver an integrated project known as Project UCC comprising Ubadari gas field development. As part of the integrated development plan for onshore compressions and CCUS facilities, BP Berau Ltd. plans to carry out Onshore Early Works EPC to prepare for the construction phase in the Tangguh area which includes site preparation, construction of temporary infrastructure/facilities as well as opening logistics lines that aim to support the main construction activities of the UCC Project



Services

EPC



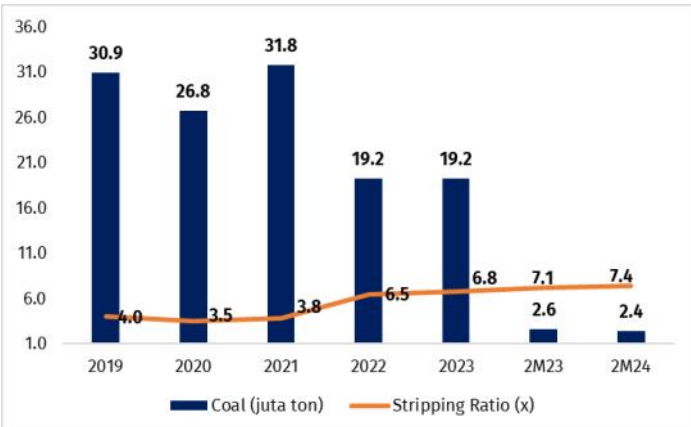
Scope of work

- Civil works for site preparation and infrastructure development which includes earthworks (cut and fill) for the EGR and Compressors facility area, water pond and demolition of the existing camp
- Road access construction works which include haulage road from offloading facilities
- Design Build of temporary facilities which includes camp with a capacity of 3 500 people, repair of installed public facilities

CONTRACT VALUE

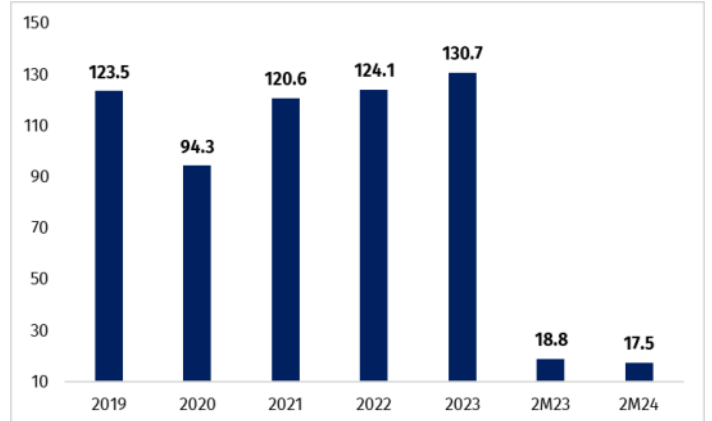
US\$297 million

Coal production and stripping ratio.



Source: PTRO, SF Sekuritas

Overburden removal Volume (Million BCM)



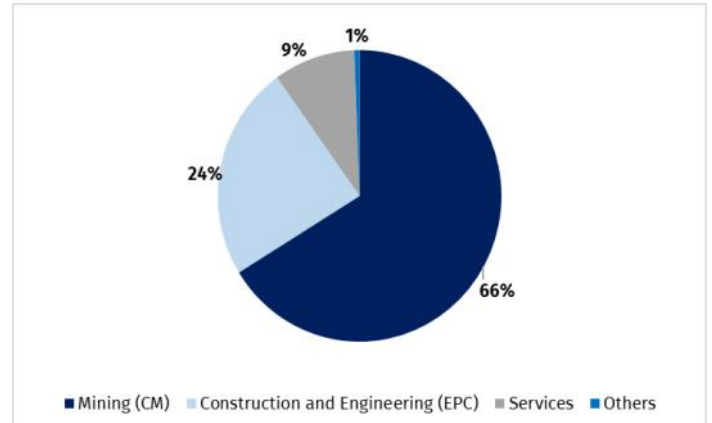
Source: PTRO, SF Sekuritas

Valuation EV/EBITDA Band



Source: PTRO, SF Sekuritas

Revenue Breakdown



Source: PTRO, SF Sekuritas

Financial Summary

Profit & Loss	2022	2023F	2024F	2025F
Sales	476,317	508,129	583,748	643,976
Cost of Sales	(380,823)	(438,705)	(500,394)	(548,472)
Gross Profit	95,494	69,424	83,354	95,504
Opex	(34,561)	(38,047)	(43,703)	(48,199)
Op. Profit	60,933	31,377	39,651	47,305
Depreciation	64,458	74,813	82,225	87,279
EBITDA	125,391	106,190	121,875	134,584
Finance Exp.	(7,421)	(14,466)	(16,291)	(15,016)
Other Inc. (Exp.)	(3,357)	1,864	1,906	1,950
Pre-tax Profit	50,155	18,775	25,266	34,240
Tax Expenses	(8,989)	(3,755)	(5,053)	(6,848)
Minority Int.	(242)	(106)	(142)	(193)
Net Profit	40,924	14,914	20,071	27,199

in USD Thousand

Cash Flow	2022	2023F	2024F	2025F
Net Profit	40,924	14,914	20,071	29,981
Depreciation	74,813	82,225	83,776	85,950
Chg in WC	24,713	17,952	(16,066)	(24,950)
Others	(32,848)	(1,942)	(2,039)	(2,141)
CFO	105,738	84,190	86,666	118,729
Capex	(73,229)	(119,719)	(64,212)	(70,837)
Others	(17,298)	(583)	(612)	(643)
CFI	(90,527)	(120,302)	(64,824)	(71,480)
Chg in Debt	25,054	134,898	(19,606)	(176)
Dividend	-	(16,370)	(5,966)	(8,028)
Others	(57,963)	2,249	(205)	483
CFE	(32,909)	120,777	(25,777)	(7,722)
Net Cash In (Dec)	(26,189)	106,213	(6,411)	7,464

in USD Thousand

Balance Sheet	2022	2023F	2024F	2025F
Cash	61,760	167,973	126,537	94,900
Receivables	106,451	113,561	130,460	143,921
Inventories	18,517	11,472	13,085	14,342
Other Curr. Assets	70,925	74,471	78,195	82,105
Curr. Assets	257,653	367,476	348,277	335,267
Net Fixed Assets	232,812	269,662	286,172	307,224
Intangible Assets	27,480	27,652	27,968	28,182
Others	78,475	88,545	91,029	94,372
Non-Current Assets	338,767	385,860	405,169	429,777
Trade Payables	118,535	136,551	138,998	129,500
ST Bank Loan	45,146	40,336	36,584	35,893
ST LT Loan	15,807	38,095	34,552	33,898
Other	42,429	44,063	46,231	48,684
Current Liabilities	221,917	259,046	256,366	247,975
LT Debt	28,315	145,657	132,109	129,612
Other	48,197	49,848	52,286	55,120
Non-Curr Liabilities	76,512	195,506	184,395	184,732
Share Capital	33,438	33,438	33,438	33,438
Add Paid in Capital	(4,602)	(4,602)	(4,602)	(4,602)
Retained Earnings	275,869	274,414	288,519	307,689
Other	(7,496)	(5,172)	(5,386)	(4,909)
Shareholder Equity	297,209	298,077	311,969	331,616
Minority Interest	782	707	716	722

in USD Thousand

Ratios	2022	2023F	2024F	2025F
Gross Margin	20.0%	13.7%	14.3%	15.4%
Op. Margin	12.8%	6.2%	6.8%	7.9%
EBITDA Margin	26.3%	20.9%	20.9%	20.9%
Net Margin	8.6%	2.9%	3.4%	4.7%
ROE	13.8%	5.0%	6.4%	9.0%
ROA	6.9%	2.0%	2.7%	3.9%
Receivable Trnvr	4.5x	4.5x	4.5x	4.5x
Inventory Trnvr	20.6x	38.2x	38.2x	38.2x
Payable Trnvr	3.2x	3.2x	3.6x	4.2x
Days in Recvbl.	80	80	80	80
Days in Invtry.	8	9	9	9
Days in Payable	112	112	100	85
Cash Conv. Cycle	(14)	(22)	(10)	5
Current Ratio	116.1%	141.9%	149.5%	165.2%
Quick Ratio	107.8%	137.4%	144.4%	159.4%
Int. Cov. Ratio	0.1x	0.5x	0.4x	0.3x
Debt/Equity	30.0%	75.2%	65.1%	60.1%
Asset/Equity	200.7%	252.7%	241.5%	229.9%
EPS	579	229	308	461
BVPS	4,204	4,581	4,794	5,139
P/E	7.4x	18.6x	13.8x	9.2x
P/B	1.0x	0.9x	0.9x	0.8x
EV/EBITDA	2.4x	2.6x	2.3x	2.1x

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PT SURYA FAJAR SEKURITAS

RESEARCH DIVISION

Raphon Prima
Head of Research

Atikah Tri Adriyanti
Equity Analyst

M Irfan Ubaidillah
Equity Analyst

SATRIO TOWER 9TH FL,
Jl. Prof. DR. Satrio Blok C4,
Kuningan Timur, Jakarta Selatan,
Jakarta 12950, Indonesia

BALI
Jl. Prof. DR. Satrio Blok C4,
Kuningan Timur, Jakarta Selatan

Phone : (021) 2788 3989

PONTIANAK
Jl. Prof. DR. Satrio Blok C4,
Kuningan Timur, Jakarta Selatan

Email : research@sfsekuritas.co.id

 [sfast.official](https://www.instagram.com/sfast.official)

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