



COMPANY RESEARCH
Equity Update

OVERWEIGHT

12M Target Price IDR 6,100
vs. Last Price +29.5%

Stock Data

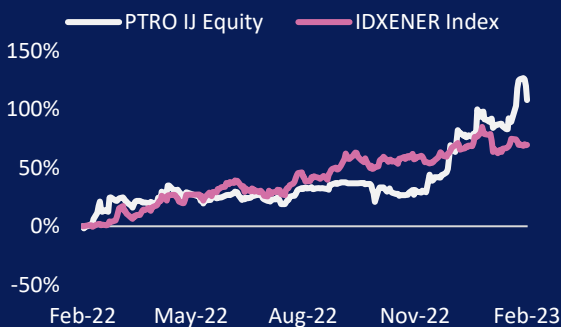
Ticker Code PTRO
SubSector Oil, Gas & Coal
Sector Energy

Market Cap (IDR.Tn) 4.74
Shares Issued (Bn) 1.01

52-Week High (IDR) 5,350
52-Week Low (IDR) 2,100

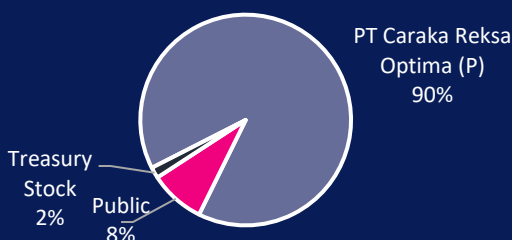
Revenue 23F (Kiwoom) USD 522 Mn
vs. 2022F +13%

Price Performance, 1Y (%)



Source : Indonesia Stock Exchange

Shareholders Composition



Sukarno Alatas
sukarno@kiwoom.co.id

PT Petrosea Tbk (PTRO)

Margins are increasing, Topline-Bottomline Growing & has Potential Repositioning in the Future

PTRO's bottom line performance grew significantly. In 3Q22, PTRO recorded revenue of USD 123.4 million (+12% QoQ; +14% YoY), resulting in 9M22's total revenue of USD 301.6 million (+9% YoY) or +66% from our previous projection. Meanwhile, net profit was USD 20.1 million (+130% QoQ; +672% YoY) or in 9M22 was at USD 31 million (+113% YoY) or +71% from our previous projection. For FY2022, PTRO recorded a total volume of overburden removal at 124.1 million BCM or +2.9% YoY (vs. 2021 at 120.6 million BCM) with coal production of 19.2 million tonnes or -40% YoY.

PTRO's profitability ratio for 9M22 period increased. GPM ratio rose to 20% (vs. 9M21 at 14%), OPM increased to 13% (vs. 9M21 at 7%), and NPM rose to 9% (vs. 9M21 at 5%). The increase in PTRO's margin was due to the results of asset life cycle management initiatives, increased in effectiveness of plant and equipment operating costs, as well as other direct costs. This margin increase has the potential to continue until the end of 2022.

Optimism and Potential of PTRO through diversification and repositioning strategy. PTRO continues its strategy on diversification and business expansion into other mineral sectors (coal, gold, nickel, and other minerals sectors), including through the provision of mining and engineering, procurement & construction (EPC) services on an ongoing basis. Opportunities for PTRO in the future are increasingly attractive for long-term strategy to reposition from previously a mining contractor to become a mine owner. In line with this plan, the company's value will increase and its valuation will become more attractive.

PTRO successfully secured contracts from mining services and EPC. Which include with PT Santana Rekso Nidhana (gold production : USD 130.89 million), PT Indo Bara Pratama (coal production : IDR 2.89 trillion), PT Freeport Indonesia (extended the duration of the embankment project : USD 137.84 million) and PT Masmindo Dwi Area (Awak Mas Project : IDR 2.90 trillion). During this period, PTRO also obtained approval for landworks, concrete and buried utilities from PT Manyar Maju Refinery for the development of PT Freeport Indonesia's Manyar smelter with a contract value of IDR 219 million with the duration of 13 months. Until the end of this period, the Company recorded a total contract value of around USD 1.6 billion.

Recommendation "OVERWEIGHT"

Based on relative valuation (EV/EBITDA & PBV), PTRO's fair value for 12M target is IDR 6,100 per share (Prev. IDR 3,300). This price reflect a P/E of 8.3x, PBV of 1.2x & EV/EBITDA of 2.6x. Then, we project a potential dividend yield of 2.8% (Assumption DPR at 25% from 2022F) in 2023F and 3.2% (Assumption DPR at 25% from 2023F) in 2024F.

Figure 1. Financial Highlight

year-end Dec	2019A	2020A	2021A	2022F	2023F
Revenue (USD Mn)	476	341	416	461	522
Net Profit (USD Mn)	31	32	34	44	50
EPS (Full amount)	0.03	0.03	0.03	0.04	0.05
EBITDA Margin	27%	32%	21%	35%	32%
NPM	6.5%	9.5%	8.1%	9.6%	9.6%
Div. Yield (%)	7.2%	5.0%	4.9%	2.0%	2.7%
ROE	15%	14%	13%	15%	15%
P/E (x)	3.9	4.3	4.4	9.4	8.3
P/BV (x)	0.6	0.6	0.6	1.4	1.2
EV/EBITDA (x)	1.9	1.9	2.3	2.6	2.6

Source: Bloomberg and Kiwoom Research

Financial Reviews (9M22)

Figure 2. Financial Highlight (USD Mn)

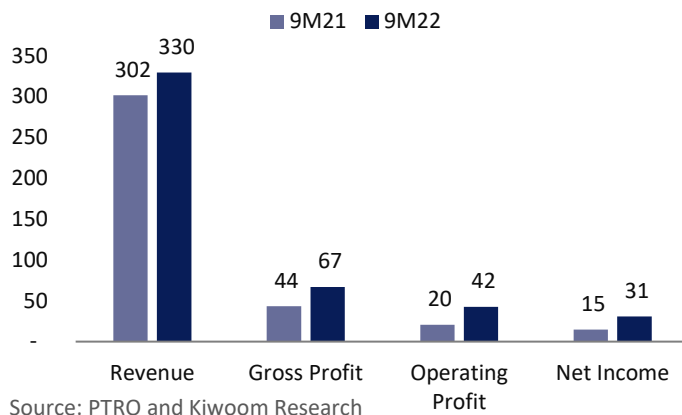


Figure 3. Ratio Profitability

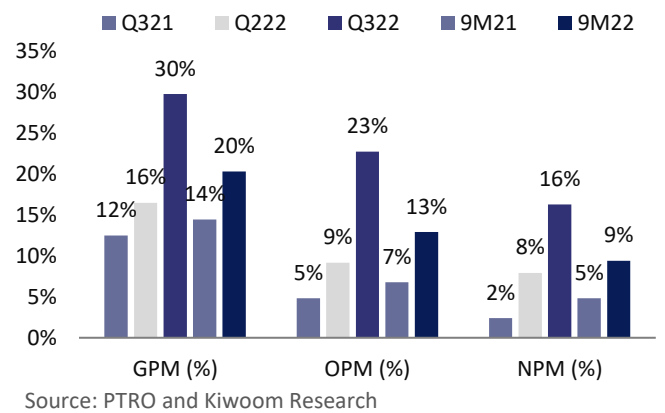


Figure 4. Financial Highlight

(USD mn)	Q321	Q222	Q322	YoY	QoQ	9M21	9M22	YoY
Revenue	108	111	123	14%	12%	302	330	9%
Gross Profit	14	18	37	172%	101%	44	67	54%
Operating Profit	5	10	28	439%	177%	20	42	108%
Net Income	3	9	20	672%	130%	15	31	113%
GPM (%)	12%	16%	30%	17%	13%	14%	20%	6%
OPM (%)	5%	9%	23%	18%	14%	7%	13%	6%
NPM (%)	2%	8%	16%	14%	8%	5%	9%	5%

Source: PTRO and Kiwoom Research

Figure 5. Operational Highlight

(USD mn)	Q321	Q222	Q322	YoY	QoQ	9M21	9M22	YoY
Coal Production (Mt)	7.7	4.8	5.7	-26%	19%	23.6	14.0	-41%
OB Removal (Mbcm)	31.6	30.7	35.0	11%	14%	89.5	90.2	1%
Stripping Ratio (x)	4.1	6.5	6.2	50%	-4%	3.8	6.4	2.63

Source: PTRO and Kiwoom Research

Figure 6. Coal Price (downtrend)

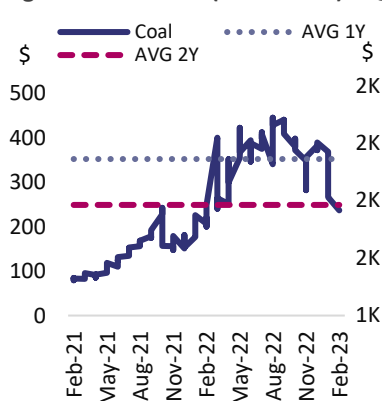


Figure 7. Gold Price (Uptrend)

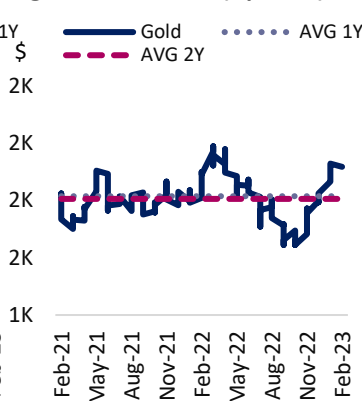


Figure 8. Nickel Price (Uptrend)

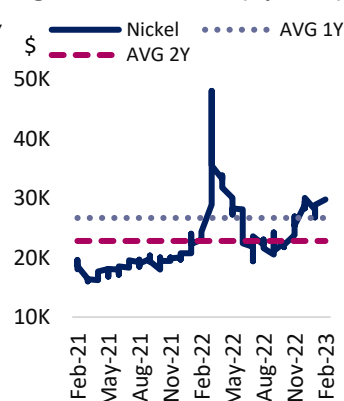
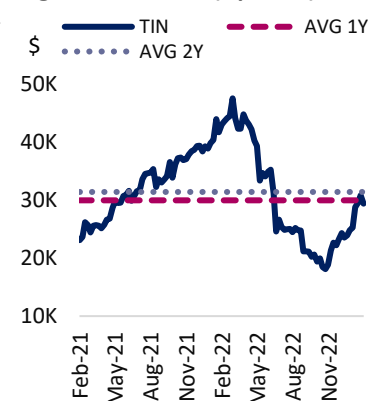


Figure 9. Tin Price (Uptrend)

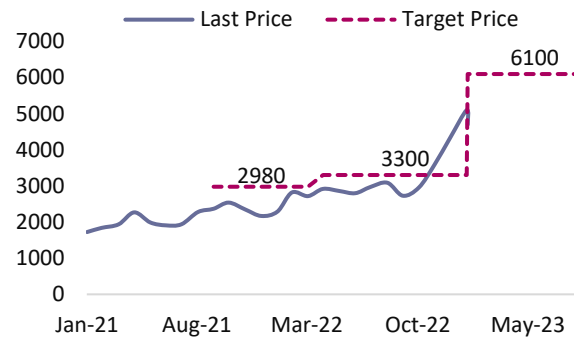


Source: Bloomberg and Kiwoom Research

Valuation

Figure 10. Fair Value

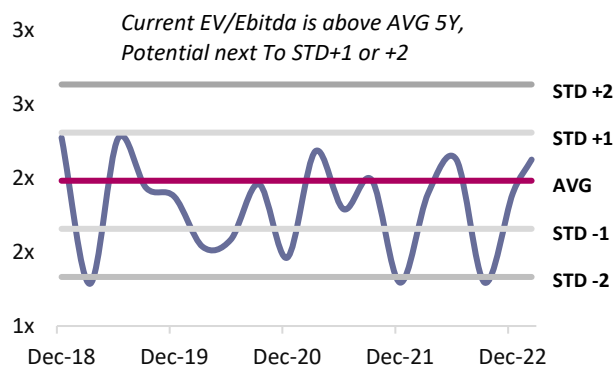
Multiple Valuation	Base Amount	Target Multiple	Value	Weight (%)	The Value of the firm
EV/Ebitda	168	2.5	422	50%	211
PE	50	8.1	405	50%	203



Total Value (Mn)	414
Share (Mn)	1,001
Target Price (IDR)	0.40
IDR Assumption	14,800
Fair Value	6,100
Current Price	4,710
Potential Upside (%)	29.5%

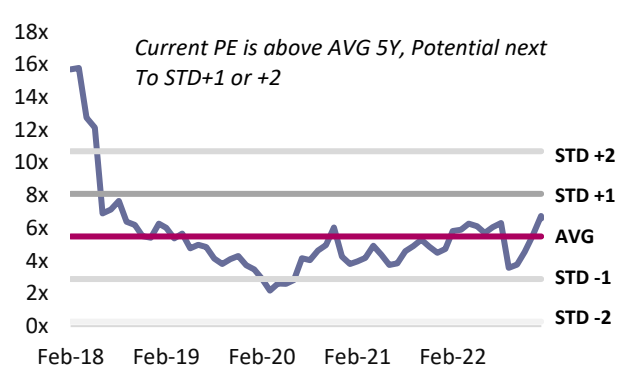
Source: PTRO and Kiwoom Research

Figure 11. EV/EBITDA Band



Source: PTRO and Kiwoom Research

Figure 12. PE Band



Source: PTRO and Kiwoom Research

Kiwoom Sekuritas Guide to Investment Ratings

OVERWEIGHT	: Stock Return > +15%
ADD	: Stock Return, range between +10% to +15%
NEUTRAL	: Stock Return, range between -10% to +10%
REDUCE	: Stock Return, range between -10% to -15%
UNDERWEIGHT	: Stock Return > -15%

over the next 12 month (excluding dividend)
over the next 12 month (excluding dividend)
over the next 12 month (excluding dividend)
over the next 12 month (excluding dividend)
over the next 12 month (excluding dividend)

Financial Exhibits

Company profile

PTRO is a multidisciplinary company engaged in the contract mining, engineering, procurement & construction and oil & gas services company with a track record of achievement in Indonesia for over 49 years.

Summary of assumptions

1. In 2022F, revenue target revised to US\$ 461Mn from US\$500Mn.
2. In 2023F, overburden removal in 2023F reached 143 Mbcm or +15% YoY.
3. Cost efficiency again increases the profitability ratio
4. CAPEX allocation for 2023F at USD 178 million
5. Business diversification has the potential to improve performance
6. Uptrend in base metal commodities

Key Risks

1. Climate risks that can hamper the company's production targets
2. Risk of uncertainty regarding future mining-related regulations
3. Big clients do not renew the contract after the period ends.

3D Strategy

1. Diversification (moving focus to more prospective mineral & geographies with enhanced business model & implementation)
2. Digitization (optimization of operations with quality, cost predictability, and scheduled monitoring)
3. Decarbonization (significantly reduce carbon emissions while increasing efficiency and operating effectiveness)

Figure 13. Financial Statement

Year-end 31 Dec (US\$ Mn)	2020A	2021A	2022F	2023F
Revenue	341	416	461	522
Costs of revenue	266	341	369	418
Gross profit	75	75	92	104
Operating profit	48	45	57	65
EBITDA	110	86	159	168
Income before tax	36	41	55	63
Tax expenses	3	7	10	11
Minority interests	0	0	0	0
Net income	32	33	44	50
EPS (Full amount)	0.03	0.03	0.04	0.05

Balance Sheet (US\$ Mn)	2020A	2021A	2022F	2023F
Cash and equivalents	134	89	190	214
Account receivables	76	92	92	104
Inventories	4	9	8	9
Fixed assets	285	268	303	379
Other assets	30	75	38	44
Total assets	530	533	631	750
S-T liabilities	79	64	73	75
Other S-T liabilities	57	103	103	109
L-T liabilities	123	72	120	161
Other L-T liabilities	39	33	40	71
Total liabilities	298	273	335	416
Equity	232	260	296	334
BVPS (Full amount)	0.23	0.26	0.30	0.33

Cash Flow (US\$ Mn)	2020A	2021A	2022F	2023F
Net Income	32	33	44	50
Depreciation	62	43	102	102
Change in W/C	(15)	8	(26)	11
CFO	80	84	119	164
Capex	(14)	(25)	(137)	(178)
Others	(17)	11	(11)	2
CFI	(31)	(14)	(148)	(176)
Dividend paid	(7)	(7)	(8)	(11)
Net change in debt	(3)	(66)	57	43
Others	4	5	5	4
CFF	(6)	(68)	53	37
Foreign Exc. Rates	(1)	-	-	-
Change in cash	79	2	25	24
Beginning	84	163	165	190
Ending cash flow	163	165	190	214

Key Ratios	2020A	2021A	2022F	2023F
Gross margin (%)	22%	18%	20%	20%
EBITDA margin (%)	32%	21%	35%	32%
Pretax margin (%)	10%	10%	12%	12%
Net margin (%)	9.5%	8.0%	9.6%	9.6%
ROE (%)	14%	13%	15%	15%
Current ratio (x)	1.64	1.38	1.74	1.88
Gearing (%)	87%	52%	65%	71%
Net gearing (%)	129%	105%	113%	124%
AR turnover (days)	81.4	80.8	73.0	73.0
ITO (days)	5.8	9.7	7.9	7.9
AP turnover (days)	78.14	108.05	99.46	91.07

Source: PTRO & Kiwoom Research

**OTHER DISCLOSURES**

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