



PT KIWOOM SEKURITAS INDONESIA

COMPANY RESEARCH

Equity Update

OVERWEIGHT

12M Target Price IDR 6,100
vs. Last Price +30.1%

Stock Data

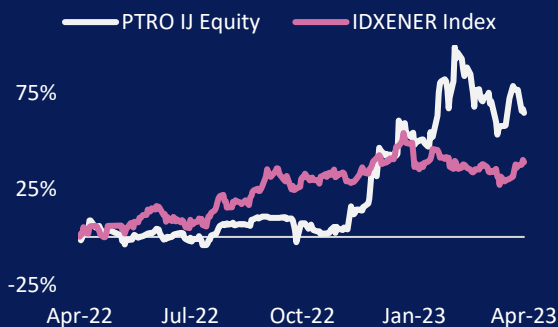
Ticker Code PTRO
SubSector Oil, Gas & Coal
Sector Energy

Market Cap (IDR.Tn) 4.73
Shares Issued (Bn) 0.99

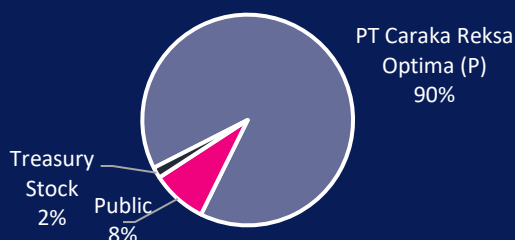
52-Week High (IDR) 5,775
52-Week Low (IDR) 2,620

Revenue 23F (Kiwoom) USD 545 Mn
vs. 2022 +14%

Price Performance, 1Y (%)



Shareholders Composition



Sukarno Alatas
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PT Petrosea Tbk (PTRO)

Performance Projection Continues to Grow Along with Diversification Strategy

PTRO'S performance has exceeded our expectations. In 2022FY, PTRO recorded revenue of USD 476.3 million (+15% YoY), >3% from our projections or reach target of 103% (vs USD 461 million). PTRO's revenue was contributed by mining at 71% of revenue and grew by +14% YoY, construction & engineering at 18% and grew by +35% YoY, services at 10% and contracted -7% YoY dan others at 1% and grew by +14% YoY. Meanwhile net profit was USD 41.2 million (+12% YoY), only reach 94% from our projection (vs USD 44 million). Coal production in FY22 reached 19.2 million ton or -39% YoY, then overburden removal in FY22 reached 124 Mbcm or +3% YoY.

The profitability ratio of PTRO in FY2022 managed to increase. GPM ratio increased to 20% (vs. FY21 at 18%), OPM increased to 13% (vs. FY21 at 11%), EBITDA margin increased to 26% (vs. FY21 at 21%) dan solely NPM edged down to 8.6% (vs FY21 at 8.8%). The increase in PTRO's margin was due to the results of asset life cycle management initiatives, increased cost effectiveness of plant and equipment, as well as direct costs.

Potential Continues Along with diversification and repositioning strategies. PTRO continue its strategy of diversification and business expansion into other mineral sectors (coal, gold, nickel & other minerals). Inline with this plan, PTRO take debt loans worth USD 91,5 million or in Rupiah up to IDR 1,45 trillion. The fund plan will be used to fund business development through acquisition and investment of mining assets as well as strengthening PTRO's working capital. The fund plan will be used to fund business development through the acquisition and investment of mining assets as well as strengthening PTRO's working capital. Previously, PTRO had inaugurated a tailing processing plant for gold dore bullion at PT Santasa Reksa Nidhana as implementation in diversification strategy.

We Project Performance in 2023F Return to Double Digit Growth. In 2023F, we project revenue to be USD 545 million or grow by +14% YoY. Meanwhile, net profit is projected to be USD 45 million or grow by 19% YoY with a net profit margin ratio of 8.3%. We believe that margins can increase again in line with PTRO's efforts to increase the cost effectiveness of factory operations, equipment and others. PTRO has just launched a digital minerva platform at coal mining project owned by PT Indo Bara Pratama.

Recommendation "OVERWEIGHT"

Based on blended valuation (DCF method, EV/EBITDA & PE) and future opportunities, we maintain PTRO's fair value for 12M target is IDR 6,100 per share. This price reflect a P/E of 9x, PBV of 1.2x & EV/EBITDA of 5.4x. Then, we project a potential dividend yield of 2.4% (Assumption DPR at 22% from 2022F) in 2023F and 2.8% (Assumption DPR at 22% from 2023F) in 2024F.

Figure 1. Financial Highlight

year-end Dec	2020A	2021A	2022A	2023F	2024F
Revenue (USD Mn)	341	416	476	545	591
Net Profit (USD Mn)	32	37	38	45	49
EPS (Full amount)	0.03	0.04	0.04	0.05	0.05
EBITDA Margin	18%	21%	12%	17%	17%
NPM	9.5%	8.8%	7.9%	8.3%	8.3%
Div. Yield (%)	5.0%	0.2%	0.0%	2.3%	2.8%
ROE	14%	14%	13%	13%	13%
P/E (x)	4.3	4.1	10.6	9.0	8.3
P/BV (x)	0.6	0.6	1.3	1.2	1.1
EV/EBITDA (x)	3.4	1.5	7.2	5.4	4.9

Source: Bloomberg and Kiwoom Research

Financial Reviews (FY22)

Figure 2. Financial Highlight

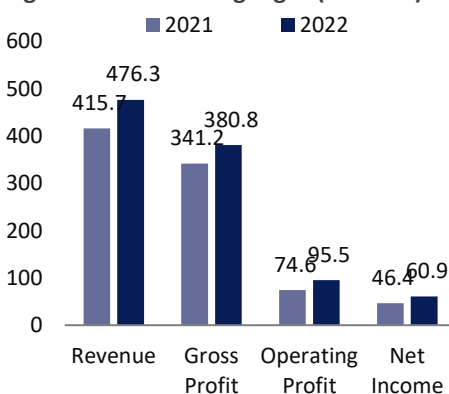
	Q421	Q322	Q422	YoY	QoQ	2021	2022	% yoy	KSI's Est.	% of Est.
Revenue	114.1	123.3	146.6	28%	19%	415.7	476.3	15%	461	103%
Costs of revenue	83.1	86.6	118.0	42%	36%	341.2	380.8	12%	369	103%
Gross profit	31	36.7	28.6	-8%	-22%	74.6	95.5	28%	92	104%
Operating profit	23.8	27.7	20.7	-13%	-25%	46.4	60.9	31%	57	107%
EBITDA	42.2	45.1	39.3	-7%	-13%	89.3	125.9	41%	159	79%
Net income	19.4	20	10.4	-47%	-48%	36.7	41.2	12%	44	94%
EPS (Full amount)						0.03	0.04	38%	0.04	103%
Liabilities						272.5	298	10%	335	89%
Equity						260.2	298	15%	296	101%
Total Asset						532.7	596	12%	631	94%
<i>GPM %</i>	27%	30%	20%			18%	20%	2.1%	20%	100%
<i>OPM %</i>	21%	22%	14%			11%	13%	1.6%	12%	103%
<i>Ebitda Margin %</i>	37%	37%	27%			21%	26%	5.0%	34%	77%
<i>NPM %</i>	17%	16%	7%			9%	9%	-0.2%	10%	91%
<i>ROE (%)</i>						14%	14%	-0.3%	15%	93%
<i>ROA (%)</i>						7%	7%	0.0%	7%	99%
Interest Coverage (x)						8.32	7.99	(0.34)	9.5	84%
<i>DER (x)</i>						1.05	1.00	(0.05)	1.13	88%
<i>DAR (x)</i>						0.51	0.50	(0.01)	0.53	94%

Source: PTRO and Kiwoom Research

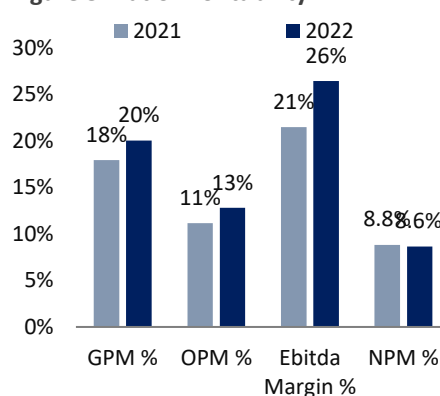
Figure 3. Operational Highlight

(USD mn)	Q421	Q322	Q422	YoY	QoQ	2021FY	2022FY	YoY
Coal Production (Mt)	8.2	5.7	5.2	-36%	-8%	31.8	19.2	-39%
OB Removal (Mbcm)	31.1	35.0	33.8	9%	-3%	120.6	124.1	3%
Stripping Ratio (x)	3.8	6.2	6.5	2.7	0.3	3.8	6.5	2.65

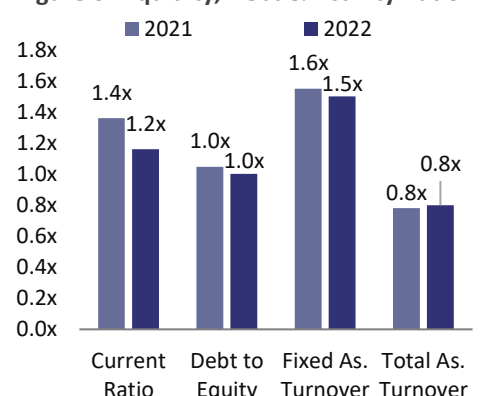
Source: PTRO and Kiwoom Research

Figure 4. Financial Highlight (USD Mn)


Source: PTRO and Kiwoom Research

Figure 5. Ratio Profitability


Source: PTRO and Kiwoom Research

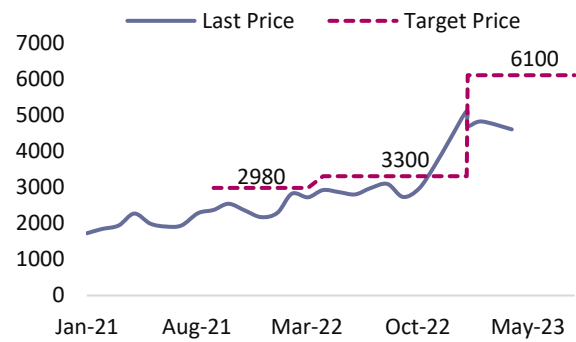
Figure 6. Liquidity, Debt & Activity Ratio


Source: PTRO and Kiwoom Research

Valuation

Figure 7. Fair Value

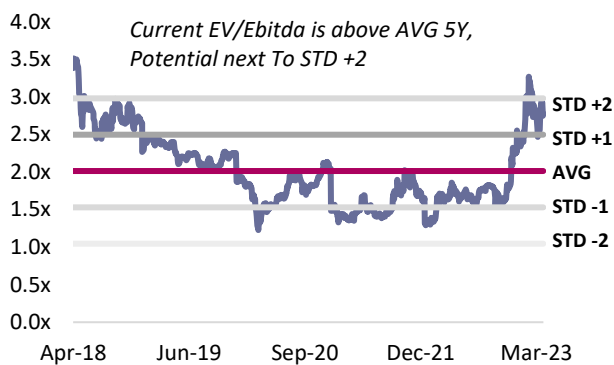
Blended Valuation	Base Amount	Target Multiple	Value	Weight (%)	The Value of the firm
DCF	553		545	40%	218
EV/EBITDA	93	2.48	232	25%	58
PE	45	8.09	364	35%	127



Source: PTRO and Kiwoom Research

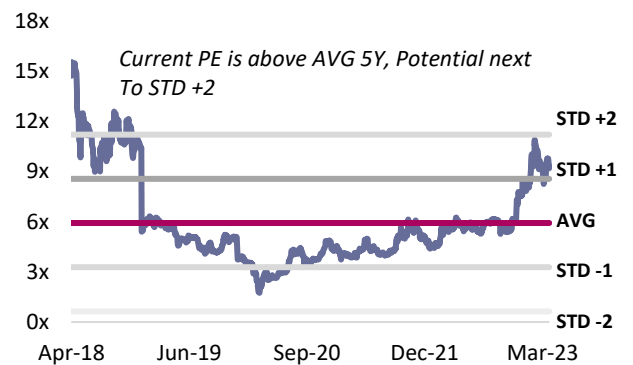
Total Value (Mn)	404
Share (Mn)	992
Target Price (IDR)	0.41
IDR Assumption	15,000
Fair Value	6,100
Current Price	4,690
Potential Upside (%)	30.2%

Figure 8. EV/EBITDA Band



Source: PTRO and Kiwoom Research

Figure 9. 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 2023F, revenue target to US\$ 545 Mn or +14% YoY.
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 137 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 10. Financial Statement (US\$ Mn)

Income Statement	2021A	2022A	2023F	2024F
Revenue	416	476	545	591
Costs of revenue	341	381	436	473
Gross profit	75	95	109	118
Operating profit	46	59	69	75
EBITDA	89	59	94	101
Income before tax	42	47	56	61
Tax expenses	7	9	11	12
Minority interests	0.2	0.2	0.3	0.3
Net income	37	37.7	45	49
EPS (Full amount)	0.04	0.04	0.05	0.05
Balance Sheet	2021A	2022A	2023F	2024F
Cash and equivalents	89	62	106	120
Account receivables	92	123	140	152
Inventories	9	19	21	23
Fixed assets	268	267	351	378
Other assets	75	127	140	154
Total assets	533	596	759	828
S-T liabilities	-	45	48	53
Other S-T liabilities	167	177	174	202
L-T liabilities	72	44	162	158
Other L-T liabilities	33	32	36	40
Total liabilities	273	298	421	454
Equity	260	298	337	374
BVPS (Full amount)	0.26	0.30	0.34	0.38
Cash Flow	2021A	2022A	2023F	2024F
Net Income	37	38	45	49
Depreciation	43	0	25	26
Change in W/C	(23)	1	(23)	12
CFO	57	39	46	87
Capex	(25)	1	(109)	(53)
Others	(11)	(39)	(10)	(7)
CFI	(36)	(38)	(119)	(60)
Dividend paid	(0)	(0)	(9)	(11)
Net change in debt	(51)	(27)	118	(4)
Others	(7)	(5)	(1)	(9)
CFF	(59)	(32)	108	(24)
Foreign Exc. Rates	(0)	3	(0)	1
Change in cash	(38)	(28)	44	15
Beginning	134	89	62	106
Ending cash flow	96	62	106	120
Key Ratios	2021A	2022A	2023F	2024F
Gross margin (%)	18%	20%	20%	20%
EBITDA margin (%)	21%	12%	17%	17%
Pretax margin (%)	10%	10%	10%	10%
Net margin (%)	8.8%	7.9%	8.3%	8.3%
ROE (%)	14%	13%	13%	13%
Current ratio (x)	1.38	1.16	1.46	1.41
Gearing (%)	28%	30%	62%	57%
Net gearing (%)	105%	100%	125%	121%
AR turnover (days)	80.8	93.9	93.9	93.9
ITO (days)	9.7	17.7	17.7	17.7
AP turnover (days)	108.05	138.90	107.37	109.27

Source: PTRO & Kiwoom Research

**OTHER DISCLOSURES**

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