



BUY

Target Price : IDR6,300

Stock Data

Current Price : IDR4,510
 52w Range H-L : IDR5,775-2,620
 Share Outstanding : 1.01bn
 Free Float : 8.52%
 Mkt Capitalization : IDR4.55tn

Major Shareholders

PT Caraka Reksa Optima (P) : 89.80%
 Public : 8.52%
 Treasury : 1.68%

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PT Petrosea Tbk (PTRO IJ)

Mining Equipment & Services

Manifesting Sustainable Growth

FY22 Net Profit Beats Estimates

PTRO recorded a revenue of USD476.3mn in FY22, an increase of +14.6% YoY (vs USD415.7mn in FY21), which is in-line with consensus and ours, forming 98.7%/96.6%, respectively. The revenue growth in FY22 was accompanied by higher contribution from the mining segment which grew +13.8% YoY, followed by EPC growth of +35.1% YoY. Furthermore, FY22 gross profit came at USD95.5mn, or rose +28.1% YoY (vs USD74.6mn in FY21), bringing the GPM to reach 20.0% or climbed up +2.1 ppt YoY (vs 17.9% in FY21) despite its stripping ratio increase to 6.5x (vs 3.8x in FY21), on the back of declined coal production (-39.6% YoY) to 19.2mn ton while OBM volume was recorded at 124.1mn ton (+2.9% YoY). Notably, PTRO managed to deliver a respectable net profit of USD40.9mn, or soared +21.4% YoY (vs USD33.7mn in FY21). FY22 net profit was above consensus/ours estimates, reflecting 109.2%/116.5%, respectively, driven by relatively manageable OPEX/Revenue. Meanwhile, NPM edged up to 8.6% (vs 8.1% in FY21).

Breaking the Resistances with 3D Strategy

PTRO's commitment to diversify its business has resulted in a total backlog of USD 1.6 billion in FY22, bringing the backlog growth with a CAGR of +11.7% in FY17-FY22. PTRO took the initiative to expand in the ESG aspect, whereas in 4Q22, PTRO signed a mining contract with Cipta Djaya Selaras Mining, which operates a nickel mine. PTRO also digitalized the coal mining operations of PT Indo Bara Pratama (IBP) in East Kalimantan through a Remote Operations Center (ROC) system located at the Petrosea headquarters in Bintaro, South Tangerang. We believe that the business initiatives through the 3D Strategy (Diversification, Decarbonization, Digitalization) could bring plenty of room for growth and maintain its business to be more sustainable.

Sturdy Balance Sheet to Underpin Expansion

The management aims to intensify its capex allocation by +30% YoY in FY23E, which we estimate to reach USD74.5mn. In terms of capital structure, PTRO has signed a term-loan facility agreement worth USD91.5mn, which translates the total debt to USD207.3mn in FY23E, as we estimated. However, the debt level is still manageable with a DER of 0.6x as well as coverage ratio of 5.8x in FY23E (vs DER: 0.4x coverage ratio : 8.2x in FY22), or still suitable across its peers, in our view ([exhibit 03](#)). We think that the sturdy balance sheet and effective capital allocation are adequate to underpin its diversification expansion.

SRN Contract Mining; Expect More Room to Grow Onward

It appears that PTRO has secured a valuable contract for tailing management in the gold sector with PT Santana Rekso Nindhana (SRN) located at PT Nusa Halmahera Minerals (NHM) (reserves : 26.9 tons), which could lead to further opportunities in the future. We believe the company's strength and capabilities suggest that it may be well-positioned to take advantage of these opportunities. On the flip side, gold prices have rebounded to >USD2,000/t.oz (+10% YTD) and are likely to remain elevated, driven by faster pivoting by the Fed and the proposed establishment of a nation bullion bank that might lead to more exploration of the gold sector. All in all, we expect PTRO to benefit from tailwinds in the gold sector going forward.

Recommendation BUY with TP of IDR6,300

We recommend **BUY** for **PTRO at a TP of IDR6,300**, implying PE/PBV of 8.5x/1.2x in FY23E. We favor PTRO due to its expansion through 3D strategy, and its growth opportunities going forward. We projected revenue/net profit growth by +10.2% YoY/+20.7% YoY in FY23E, respectively. Downside risks to our call include: 1) contract payment disruption; 2) unfavorable regulatory changes; 3) harmed supporting equipment.

Key Financial Highlight	FY20	FY21	FY22	FY23E	FY24F
Revenue (USD mn)	340.69	415.74	476.32	524.95	581.74
EBITDA (USD mn)	93.87	98.49	114.25	131.97	159.64
Net Income (USD mn)	32.28	33.71	40.92	49.38	56.03
EPS (IDR)	451.39	476.84	611.99	738.48	837.95
ROA (%)	6.09	6.33	6.86	8.03	8.49
ROE (%)	13.95	12.96	13.73	14.50	14.44
PE (x)	9.99	9.46	7.37	6.11	5.38
PBV (x)	1.39	1.23	1.01	0.89	0.78
DER (x)	0.87	0.52	0.39	0.61	0.55

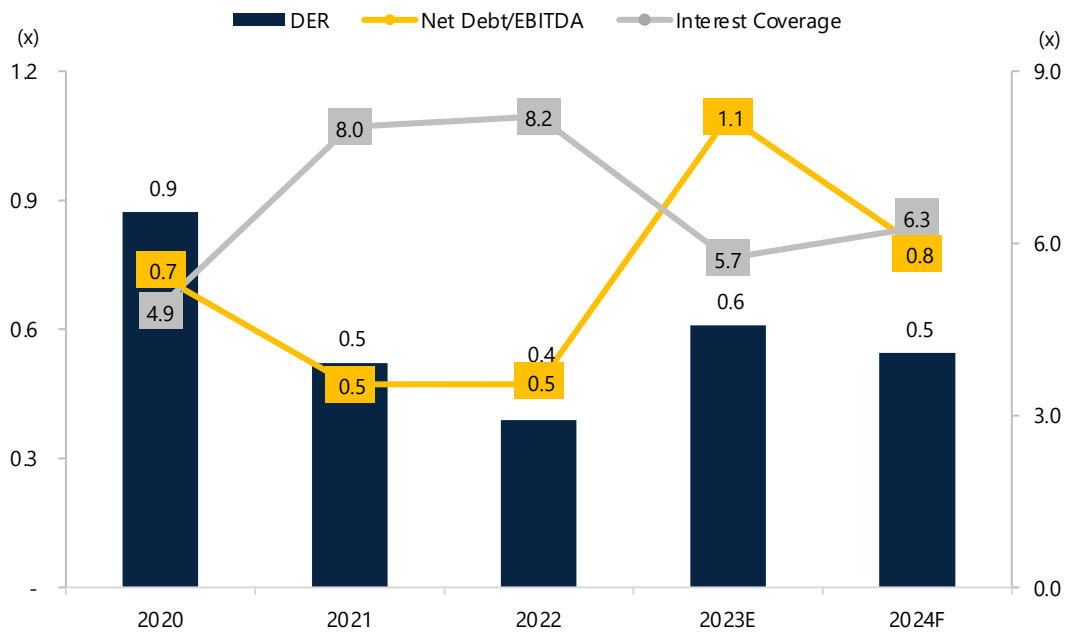
Source: Company, MNCS

Exhibit 01. PTRO's FY22 Result

USD mn	FY21	FY22	YoY	FY22E Cons	FY22E MNCS	% Cons	% MNCS
Revenues	415.74	476.32	14.57%	482.61	493.05	98.7%	96.6%
COGS	(341.18)	(380.82)	11.62%				
Operating Profit	44.76	60.93	36.12%	51.43	55.43	118.5%	109.9%
Operating Profit Margin	10.77%	12.79%					
PBT	41.33	50.16	21.34%				
Net Profit	33.71	40.92	21.39%	37.49	35.14	109.2%	116.5%
Net Margin	8.11%	8.59%					

Sources : Various, Bloomberg, MNCS

Exhibit 02. PTRO's Debt Level is Still Manageable



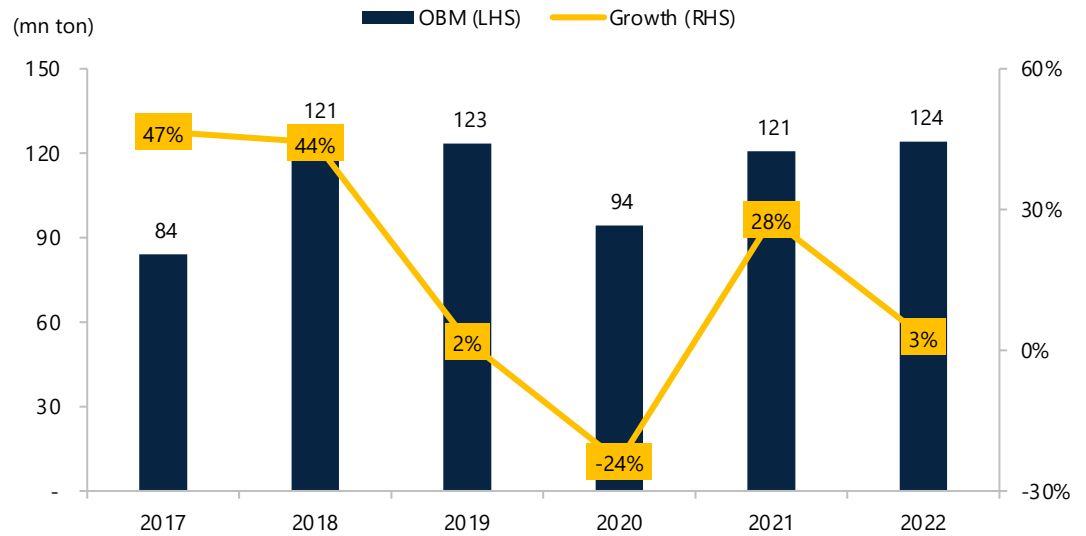
Sources : Company, MNCS

Exhibit 03. PTRO's DER & Interest Coverage Compared to Its Peers in FY22

	DER (x)	Interest Coverage (x)	NPM (%)	PE (x)
DOID	3.7	1.9	1.8	6.2
DEWA	0.2	-1.0	-4.1	-4.3
MYOH	0.0	280.3	9.9	15.4
PTRO	0.4	8.2	8.6	7.4

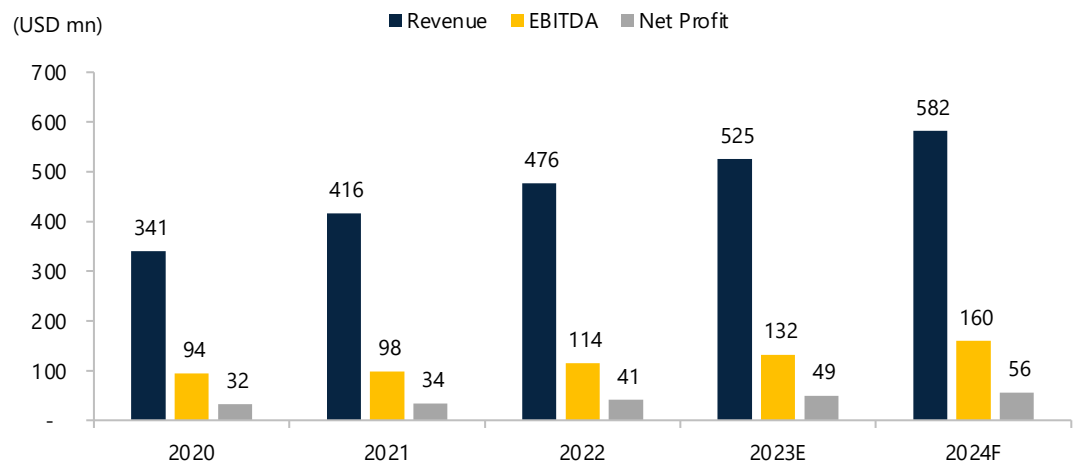
Sources : Company, MNCS

Exhibit 04. PTRO's OBM and Its Growth in FY17-FY22



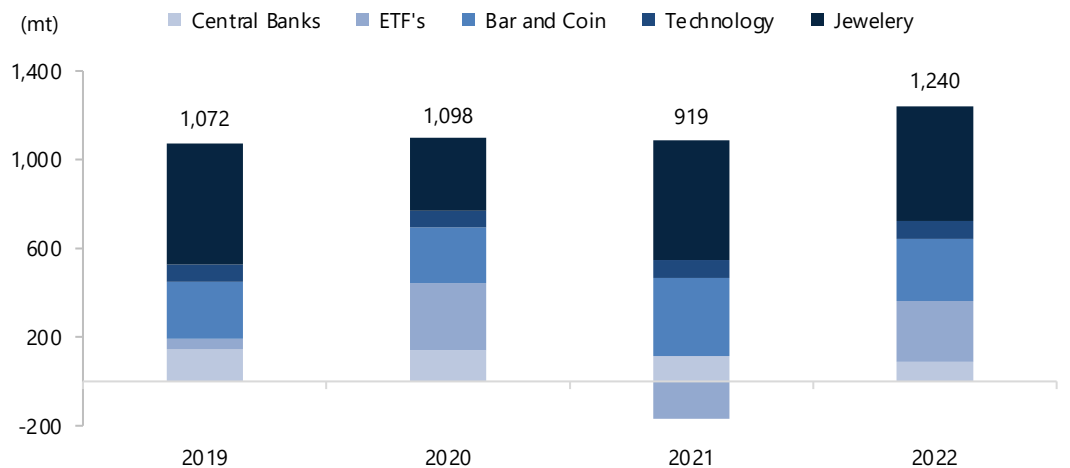
Sources : Company, MNCS

Exhibit 05. PTRO's Revenue, EBITDA and Net Profit in FY20-FY24F



Sources : Company, MNCS

Exhibit 06. Demand for Gold Estimates



Sources : World Bank, MNCS

Exhibit 7. Financial Summary

Income Statement						Balance Sheet					
in Million USD	FY20	FY21	FY22	FY23E	FY24F	in Million USD	FY20	FY21	FY22	FY23E	FY24F
Revenue	340.69	415.74	476.32	524.95	581.74	Cash & Equivalents	133.95	89.33	61.76	62.92	84.82
COGS	(265.82)	(341.18)	(380.82)	(417.07)	(459.42)	Trade Receivables	75.98	89.90	106.45	104.99	113.16
Gross Profit	74.87	74.56	95.49	107.88	122.32	Inventory	4.22	9.08	18.52	13.71	15.10
Operating Expense	(27.17)	(29.80)	(34.56)	(36.41)	(38.74)	Other Current Assets	7.87	43.50	70.93	76.44	82.87
Operating Income	47.70	44.76	60.93	71.47	83.58	Total Current Asset	222.01	231.80	257.65	258.06	295.96
EBITDA	93.87	98.49	114.25	131.97	159.64	Fixed Assets-net	231.40	229.16	232.81	246.81	248.76
Finance Income (Expense)	(7.48)	(3.34)	(6.40)	(9.35)	(9.86)	Other Non-Current Assets	76.27	71.78	105.96	110.36	115.51
Other Income (Expense)	(4.68)	(0.09)	(4.37)	(1.95)	(5.45)	Total Non-Current Assets	307.67	300.94	338.77	357.18	364.27
Profit Before Tax	35.54	41.33	50.16	60.17	68.27	TOTAL ASSETS	529.69	532.74	596.42	615.24	660.23
Income Tax (Expenses)	(3.04)	(7.38)	(8.99)	(10.78)	(12.24)	Trade Payables	35.27	67.83	118.54	82.97	76.78
Minority Interest	(0.22)	(0.24)	(0.24)	-	-	Short-Term Debt	78.62	63.97	71.30	46.85	47.78
Net Income	32.28	33.71	40.92	49.38	56.03	Other Current Liabilities	21.69	35.58	32.08	32.25	32.45
EPS (IDR)	451.39	476.84	611.99	738.48	837.95	Total Current Liabilities	135.58	167.38	221.92	162.08	157.01
						Long-Term Debt	123.27	71.85	44.43	79.59	81.17
						Other Non-Current Liabilities	39.40	33.28	32.08	33.02	34.11
						Total Non-Current Liabilities	162.67	105.13	76.51	112.61	115.28
						Total Equity	231.44	260.22	297.99	340.55	387.93
						TOTAL LIABILITY AND EQUITY	529.69	532.74	596.42	615.24	660.23

CashFlow						Ratios					
in Million USD	FY20	FY21	FY22	FY23E	FY24F	FY20	FY21	FY22	FY23E	FY24F	
Net Income	32.28	33.71	40.92	49.38	56.03	Revenue Growth (%)	(28.49)	22.03	14.57	10.21	10.82
Depreciation	46.18	53.72	53.32	60.50	76.06	Operating Profit Growth (%)	(16.51)	(6.15)	36.12	17.29	16.95
Change in Working Capital	6.87	13.78	24.71	(29.30)	(15.76)	Net Profit Growth (%)	3.54	4.45	21.39	20.67	13.47
Change in Others	(70.58)	(27.94)	(70.61)	(5.34)	(6.24)	Current Ratio (%)	163.75	138.49	116.10	159.22	188.49
CFO Total	14.74	73.28	48.35	75.24	110.10	Receivable Days (x)	81.40	78.93	81.57	73.00	71.00
Capital Expenditure	(30.19)	(46.82)	(57.24)	(74.50)	(78.00)	Inventory Days (x)	5.79	9.71	17.75	12.00	12.00
Change in Others	83.71	6.04	5.78	(4.41)	(5.15)	Payable Days (x)	48.43	72.57	113.61	72.61	61.00
CFI Total	53.51	(40.78)	(51.47)	(78.91)	(83.15)	DER (x)	0.87	0.52	0.39	0.61	0.55
Net Change in Debt	(3.40)	(66.07)	(20.09)	10.72	2.51	DAR (x)	0.38	0.25	0.19	0.34	0.32
Net Change in Equity	0.07	-	-	-	-	Net Debt/EBITDA (x)	0.72	0.47	0.47	1.09	0.79
Dividend Payment	(7.00)	(8.00)	-	(8.07)	(8.65)	Gross Profit Margin (%)	21.97	17.93	20.05	20.55	21.03
Others	(8.16)	(3.05)	(4.36)	2.18	1.09	Operating Profit Margin (%)	14.00	10.77	12.79	13.61	14.37
CFF Total	(18.49)	(77.12)	(24.45)	4.83	(5.05)	EBITDA Margin (%)	27.55	23.69	23.99	25.14	27.44
Beginning Cash	84.18	133.95	89.33	61.76	62.92	Net Profit Margin (%)	9.47	8.11	8.59	9.41	9.63
Ending Cash	133.95	89.33	61.76	62.92	84.82	USD/IDR Assumption (IDR)	14,104.37	14,265.34	15,082.96	15,082.96	15,082.96
						BVPS (IDR)	3,236.47	3,680.50	4,456.24	5,092.69	5,801.25

Sources : Company, MNCS

MNC Research Industry Ratings Guidance

OVERWEIGHT: Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

NEUTRAL: Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

UNDERWEIGHT: Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

MNC Research Investment Ratings Guidance

BUY : Share price may exceed 10% over the next 12 months

HOLD : Share price may fall within the range of +/- 10% of the next 12 months

SELL : Share price may fall by more than 10% over the next 12 months

Not Rated : Stock is not within regular research coverage

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