

November 11, 2024

Bond Teaser

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PETROSEA

PTRO Financial Summary

Estimated (Dec)	2021A	2022A	2023A	6M24
Revenue (\$ mn)	416	476	578	318
EBITDA (\$ mn)	28	26	19	15
Net profit (\$ mn)	34	41	12	1
EPS (\$)	0.03	0.04	0.01	0.00
EPS Change (% YoY)	1.7	21.5	(70.2)	(87.8)
PE (x)	30.1	23.7	77.8	359.0
ROIC (%)	11.4	13.5	6.7	5.6
ROE (%)	13.0	13.8	5.2	1.1
Net gearing (%)	0.2	0.2	0.8	0.7
Dividend yield (%)	0.8	0.0	8.0	0.3

Historical 5-Yr Key Performance (2019–2023)

Revenue Growth	31%	ROE (avg.)	12%
Earnings Growth	-57%	ROIC (avg.)	10%
FCF Growth	46%	Div. Yield (avg.)	12%
5-Yr PE (avg.)	5.8x	Operating Margin (avg.)	10%
5-Yr EV/EBITDA (avg.)	2.1x	Net Gearing (avg.)	26%

Turnaround story under new management

The change in shareholders has resulted in new contracts worth \$1.8bn in total for both PTRO's mining contracting and Engineering, Procurement, and Construction (EPC) segments. We expect this to translate into strong top-line growth in coming years, while earnings are projected to see a massive turnaround following better operating leverage. Note that revenue backlog in both EPC & mining contracting segments has increased significantly by 152% and 60% to \$747mn and \$3.7bn in 2023, respectively. PTRO's revenue is based on contract basis that mostly mid to long term in nature. Thus, securing this mid to long-term contracts should help PTRO sustain its revenue stream and reduce liquidity risk in the future.

Potential revenue boost from untapped assets

We expect that PTRO will greatly benefit from the change in shareholders, as Petrindo Jaya Kreasi (CUAN), the new stakeholder, holds significant untapped mining assets, including coal, gold, copper, and silica, all of which are presently in the development phase. These untapped assets present a promising upside potential for PTRO as it is well-positioned to secure new contracts as the assets come online. Consequently, we foresee a boost in PTRO's revenue growth in the coming years.

Huge demand amidst surge in coal production

In early 2024, the government approved RKAB proposals for domestic coal producer, boosting national coal production to approximately 922mn tons annually from 2024 to 2026, a 20% increase from 2023. For PTRO, a prominent name in mining contractor services, this presents a promising opportunity to expand its market share through new contracts from both internal and external parties.

Robust earnings growth outlook

Building on its new contracts and strategic diversification, PTRO is poised for substantial earnings growth over the next five years. We project a robust 59% earnings CAGR from 2023 to 2028, arguably one of the highest among peers. This impressive growth trajectory is primarily driven by the substantial increase in mining contracting volumes from new projects and additional contributions from the coal mining segment. While we anticipate low base earnings this year due to elevated costs in the coal mining division, the outlook remains strong.

Vast room for business expansion

A robust balance sheet enables substantial business expansion for PTRO. Its debt-to-equity ratio (DER) was a manageable 1.0x in 9M24, well below the 3.5x limit set by banks. We anticipate a reduction in DER to 0.7x in 28F, driven by significant earnings growth and a stable 30% dividend payout ratio. Recently, PTRO secured \$480mn credit facilities from Bank Central Asia (BCA) to support its growth and refinancing. Additionally, the interest coverage ratio (ICR) stood at 1.7x in 9M24, with our projections suggesting it could rise to 9.5x by 2028 due to a 37% CAGR in operating profit.

BONDS & SUKUK IJARAH ISSUANCE OVERVIEW

Indicative Offering Structure

Offer Type	Public Offering
Issuer	PT Petrosea Tbk. ("PTRO" or "The Company")
Instrument Name	Obligasi Berkelanjutan I Petrosea Tahap I Tahun 2024 "Obligasi" Sukuk Ijarah Berkelanjutan I Petrosea Tahap I Tahun 2024 "Sukuk Ijarah"
Targeted Amount PU	Obligasi : up to IDR1,000,000,000,000 (one trillion Rupiah) Sukuk Ijarah : up to IDR500,000,000,000 (five hundred billion Rupiah)
Tenor & Coupon Range	<ul style="list-style-type: none"> Series A : 6.50% - 7.00% Series B : 7.50% - 8.50% Series C : 8.25% - 9.25% Series D : 8.75% - 10.00%
Rating	idA+ (Single A Plus) and idA+ _(sy) (Single A Plus Syariah) from PEFINDO
Coupon Type	Fixed
Coupon Payment Term	Quarterly basis (30/360)
Usage of Proceeds	Working Capital
Listing Venue	Indonesia Stock Exchange (IDX)

Indicative Timeline

Bookbuilding Period	12 th – 25 th November 2024
Effective Date	6 th December 2024
Public Offering Period	9 th – 10 th December 2024
Allotment Date	11 th December 2024
Distribution Date	13 th December 2024
Listing Date on IDX	16 th December 2024

Investment Highlight

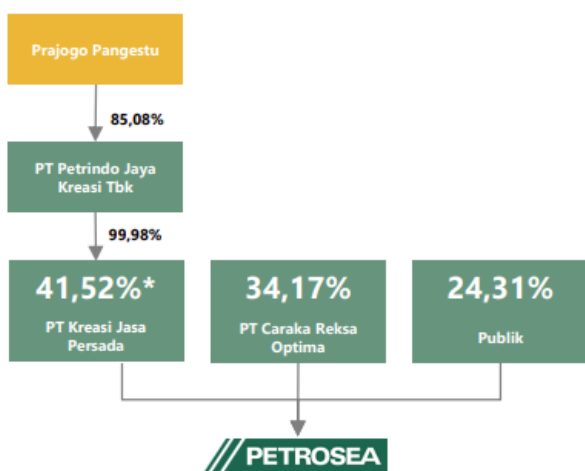
Bright prospect following acquisition

PTRO is now under new ownership of CUAN, which is directly owned by Mr. Prajogo Pangestu. CUAN is controlling shareholder of PTRO since the beginning of this year. We believe Barito Group will reinforce PTRO as the mining contractor to CUAN's coal and mineral mines. While PTRO could bring massive contributions for CUAN with its strong and long experience in mining contractors and EPC businesses.

Since the takeover, PTRO has secured new mining contracts worth \$1.4bn, 60% of PTRO's \$2.3bn backlog contract in 2023. This substantial additional contract could boost PTRO's revenue growth in the future, which is higher than the 4% CAGR growth over the last five years.

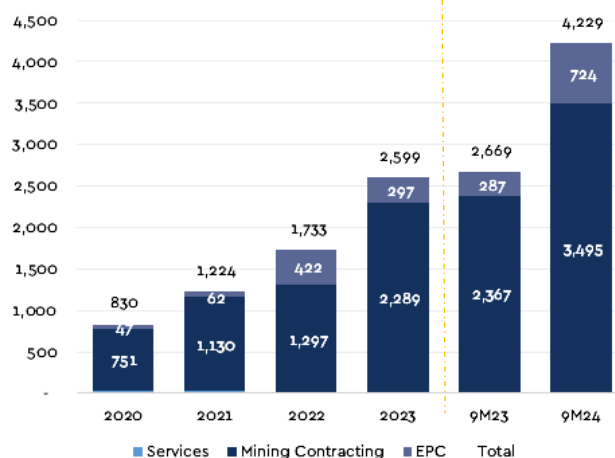
CUAN still possesses additional untapped assets in coal, gold, cooper, silver, and silica mines. Hence, we foresee significant upside potential for PTRO in securing new projects that could drive substantial revenue growth later. However, these prospects have yet to be factored into our current projections.

Fig. 1: PTRO's shareholders as of 30 September 2024



Source: Company, Sucor Sekuritas

Fig. 2: PTRO Revenue Backlog

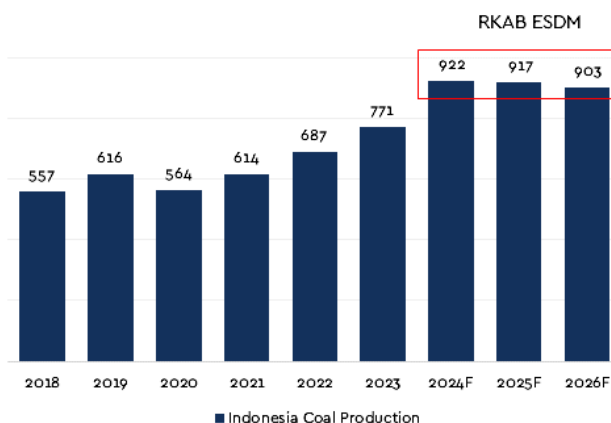


Source: Company, Sucor Sekuritas

Beneficiary of strong domestic coal production

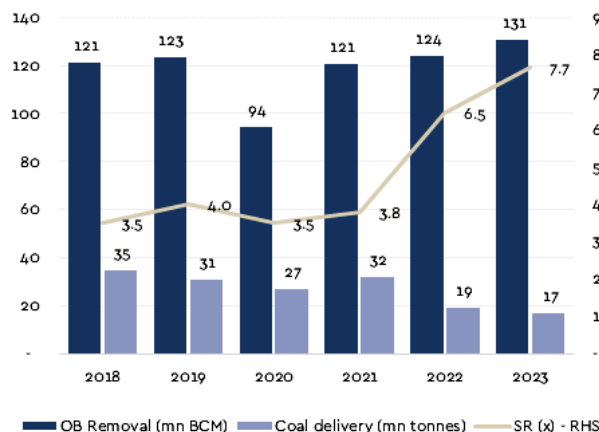
In early 2024, the Government officially approved the RKAB proposals from several national coal producers, reaching ~922mn tons per year during 24-26F, growing by 20% yoy from 2023 realization. We perceive additional productions are predominantly from small coal miners, as large coal producers are observed to maintain their current production levels. This situation could be advantageous for PTRO, given its prominent position in mining contractor services and extensive experience with major coal miners, potentially enabling it to secure more contracts in the future. We project the company could gain more market share in the industry, driven by the gradual ramp-up in coal production from 3 new contracts secured this year.

Fig. 3: Indonesia coal production expected to raise in the next 3Y



Source: Company, Sucor Sekuritas

Fig. 4: Higher OB removal offsetting decline in coal delivery



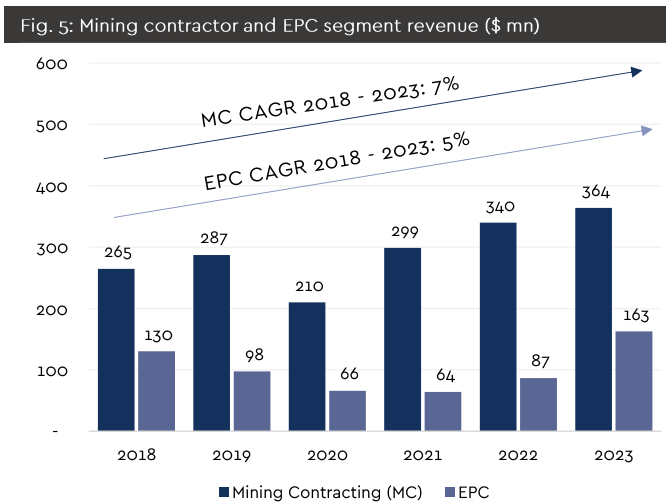
Source: Company, Sucor Sekuritas

Stable legacy EPC & mining contracting segments

PTRO has established itself as a prominent EPC and mining contractor in Indonesia, catering to both leading multinational oil and gas as well as domestic mining companies, including Freeport, BP, Unocal, Total, ConocoPhillips, Newmont, Bayan Group, Kideco, etc. The company has maintained a strong relationship with Freeport over the years, its largest EPC customer (contributing 47% of EPC revenue), and we project this partnership to result in stable and growing revenue for PTRO through new and extension of existing EPC projects. Additionally, PTRO has recently secured a lucrative 3-year contract worth \$448mn from BP Berau and Vale Indonesia (INCO), representing a substantial 30% revenue backlog from existing EPC contracts.

PTRO is also ranked as one of the top 6 largest mining contractors in Indonesia, with total coal production of 17mn tons and OB removal of 131mn bcm in 2023. The company has secured the majority of its long-term mining contracts, including Kideco (which represents 43% of mining contracting revenue) until 2028. In addition, PTRO was also awarded a life-of-mine contract from a subsidiary of Singaraja Putra (SINI), Pasir Bara Prima, valued at \$1.08bn.

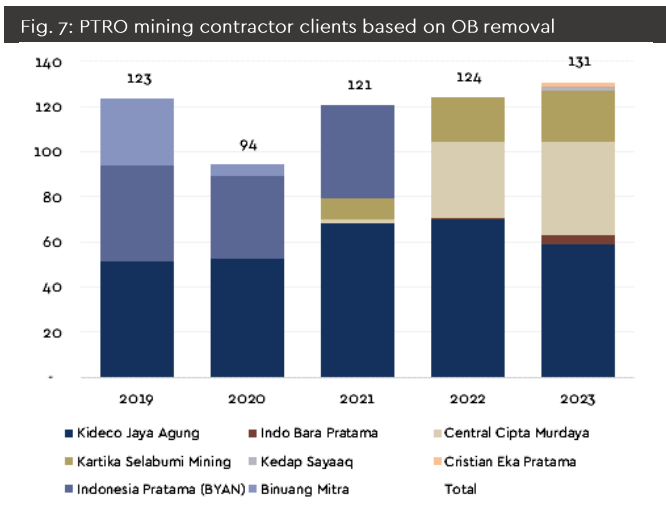
PTRO has initiated diversification of its mining contract into mineral projects such as gold, bauxite, and nickel. PTRO has already secured and worked on nickel projects, including Cipta Djaya Selaras Mining and Sumberdaya Arindo (SDA), a subsidiary of ANTM, with a contract length of 2 years. However, the contribution from this non-coal segment remains low at under 5% of PTRO's mining contracting revenue.



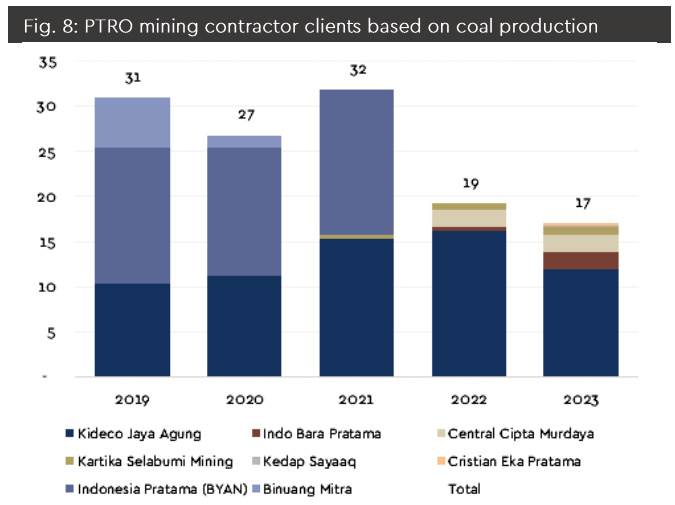
Source: Company, Sucor Sekuritas



Source: Company, Sucor Sekuritas



Source: Company, Sucor Sekuritas



Source: Company, Sucor Sekuritas

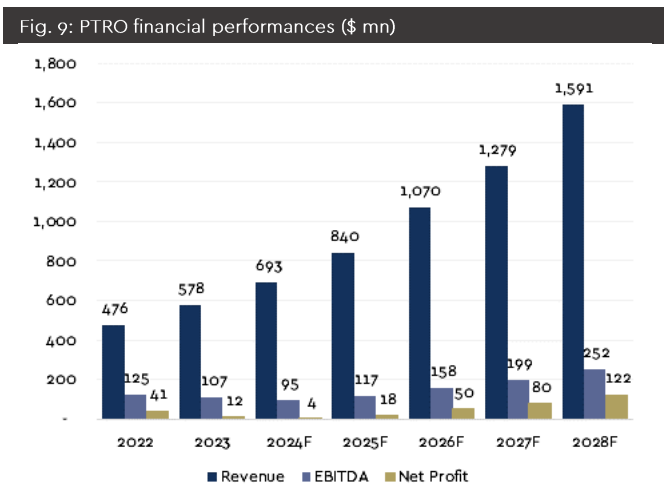
Financial Overview

Expecting strong earnings growth ahead

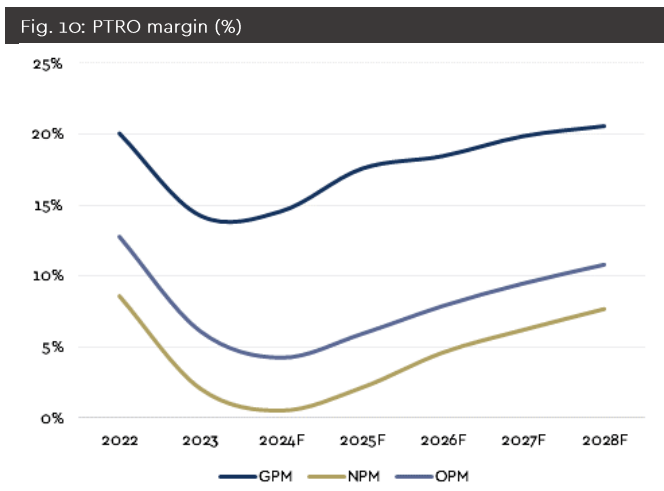
We project PTRO to deliver a robust 59% CAGR in earnings from 2023-2028F, fueled by 22% CAGR on revenue and margin expansion, particularly in the coal division. The revenue growth was primarily driven by a strong 20% CAGR mining contracting revenue alongside a robust growth of 101% CAGR in the coal mining division, supported by a gradual improvement in coal production.

We also project a 19% CAGR in the EPC segment, mainly driven by strong new contracts from Barito Group, existing clients like Freeport, and new external parties. We expect PTRO to leverage synergies with the new owner by participating in projects from other companies of Barito Group, such as TPIA, BREN, and BRPT.

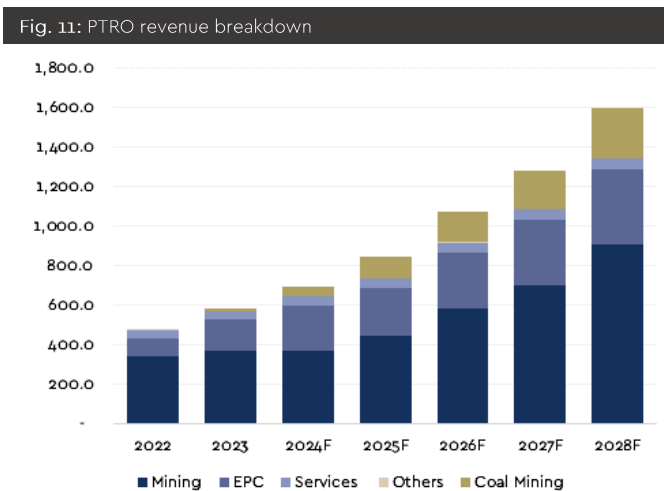
We also anticipate operating margin improvement, reaching 11% in 28F (vs. 6% in 2023), driven by margin improvement in the coal division segment. Our earnings estimate also assumes cash cost will gradually decline to USD 35 per tonne for its coal mining segment within the next 5Y, declining from USD 55 per tonne estimates in 2024.



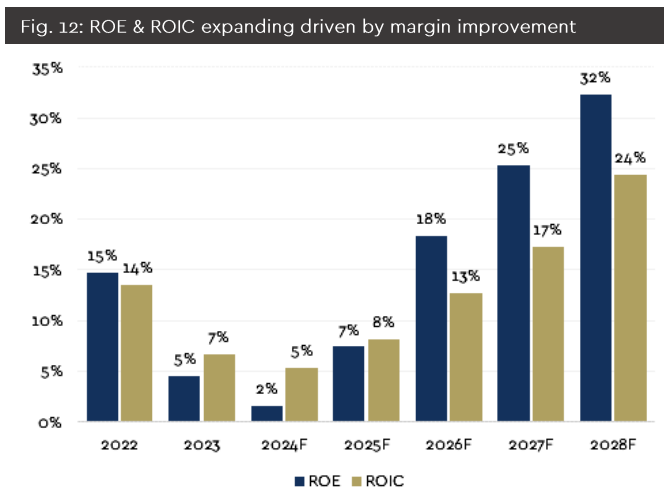
Source: Company, Sucor Sekuritas



Source: Company, Sucor Sekuritas



Source: Company, Sucor Sekuritas



Source: Company, Sucor Sekuritas

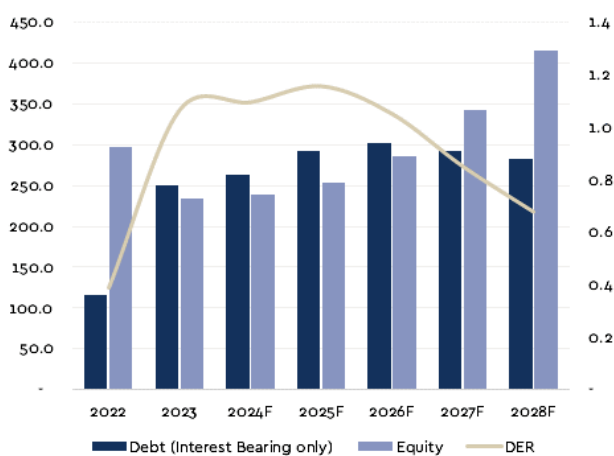
Strong balance sheet provides room for expansion

A healthy balance sheet positions the company to execute substantial contracts and expand its business. PTRO's gearing ratio remains manageable, with a debt-to-equity ratio (DER) of 1.0x in 9M24 (lower than 3.5x cap of DER from banks). We project DER could lower in the next 5Y to 0.7x along with PTRO huge earnings growth and stable 30% dividend payout ratio (DER). Additionally, PTRO has recently secured USD480mn credit facilities from Bank BCA to support business expansion and refinancing.

Interest coverage ratio (ICR) remains manageable, standing at 1.7x in 9M24. We project ICR could improve to 9.5x in 28F mostly driven by huge operating profit grow by 37% CAGR in the next 5Y given PTRO huge additional contract further and margin improvement.

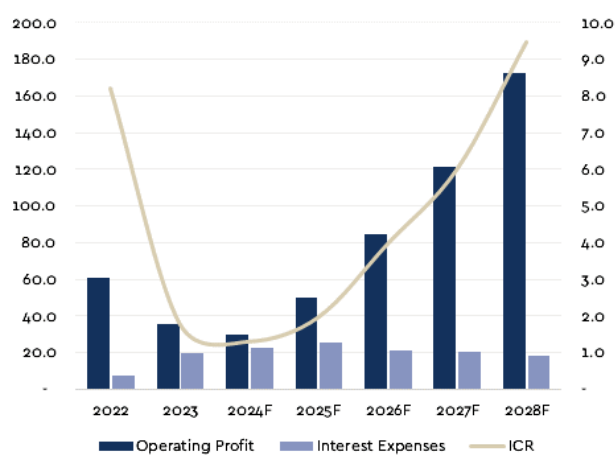
We view the bondholder liquidity risk as manageable in terms of liquidity, given that the existing bank loan has a longer maturity—mostly beyond 5 years—which benefits bondholders.

Fig. 13: Profitable business enable PTRO to be better leverage profile



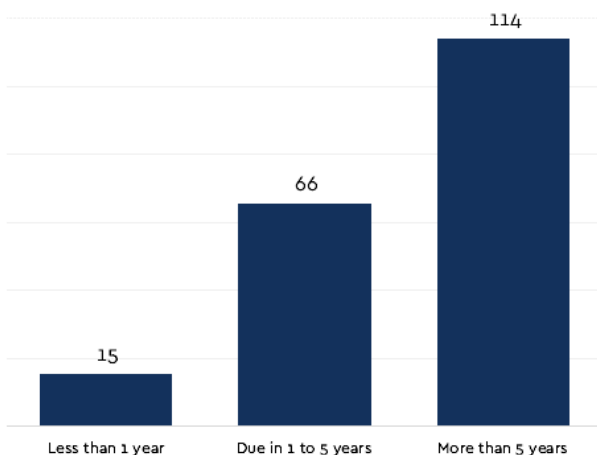
Source: Company, Sucor Sekuritas

Fig. 14: PTRO ICR (x) projection



Source: Company, Sucor Sekuritas

Fig. 15: PTRO's schedule of principal repayment, \$ mn



Source: Company, Sucor Sekuritas

Company Overview

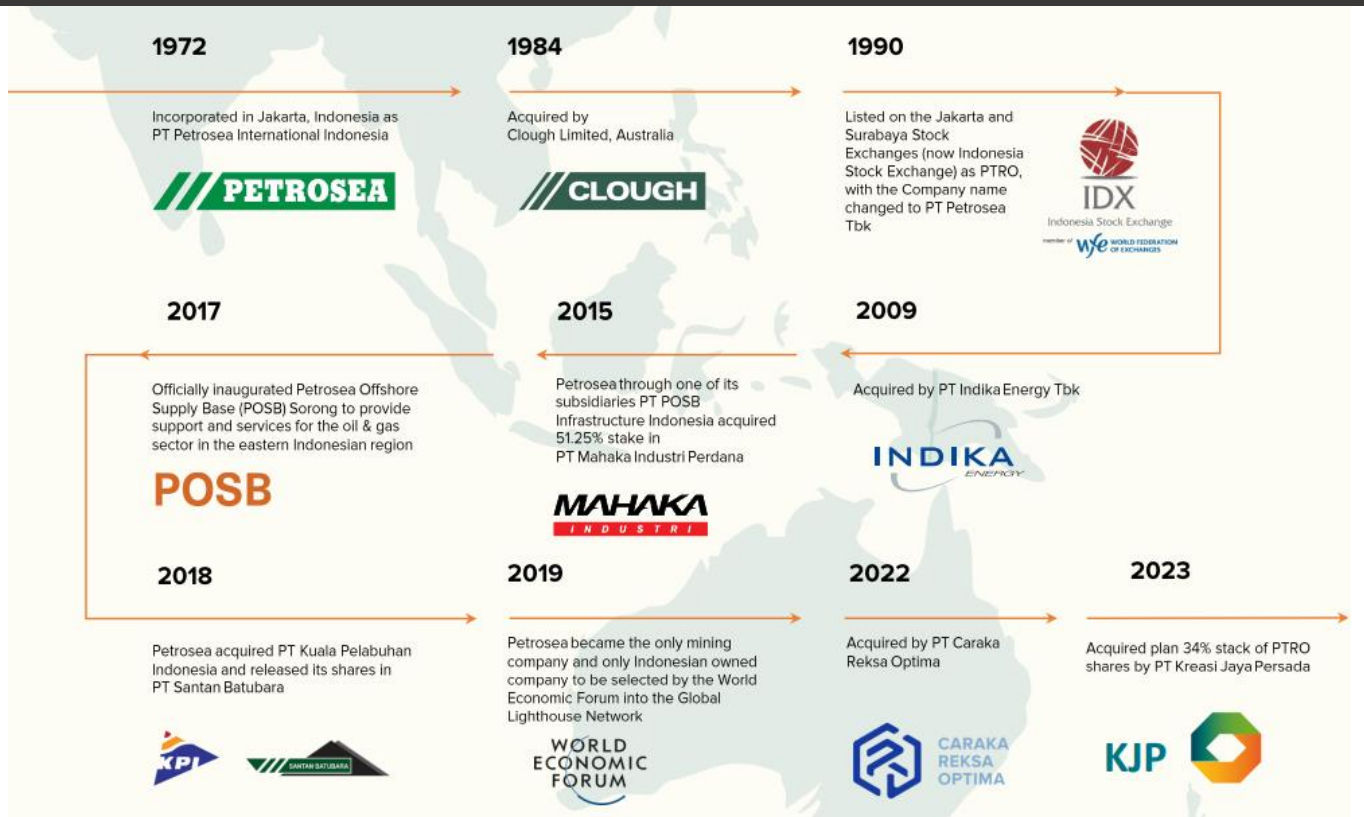
PT Petrosea Tbk. (PTRO) is a multi-disciplinary contract mining, EPC, and oil & gas services company with a strong track record of achievement in Indonesia since 1972.

With a track record of achievement for over 52 years, we offer a competitive advantage through its ability to provide complete pit-to-port mining solutions, integrated EPC capabilities, as well as logistic support, while demonstrating absolute commitment to safety, health & environment, quality management, and business integrity.

In 2019, the World Economic Forum selected PTRO as the only mining company and the only Indonesian-owned company to join the Global Lighthouse Network due to its success in implementing Industry 4.0 technologies.

Petrosea has been listed on the Indonesia Stock Exchange (IDX: PTRO) since 1990 and was the first publicly listed Indonesian engineering and construction company in Indonesia. PT Kreasi Jasa Persada, wholly owned by PT Petrindo Jaya Kreasi Tbk (CUAN), controls Petrosea

Fig. 16: PTRO milestone

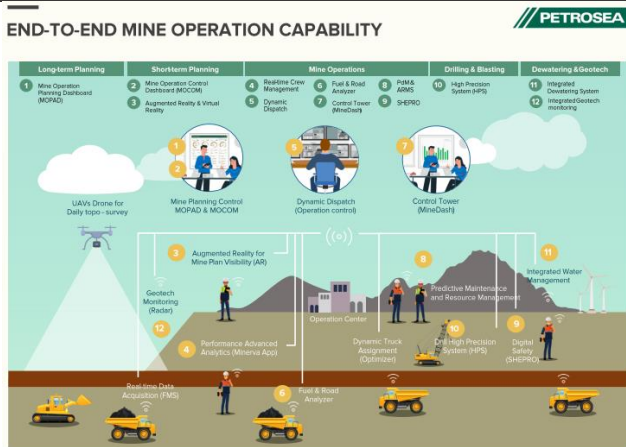


Source: Company, Sucor Sekuritas

Business Line

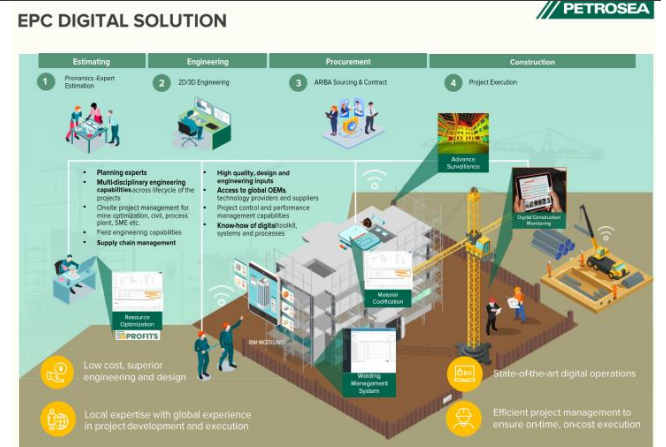
- **Mining Contracting.** The company Petrosea offers a wide range of project services from pit-to-port, including: Open pit contract mining services; Civil and infrastructure construction, including roads, tailing dams, and site facilities; Mining project management services, including equipment and operators from mine owners as well as subcontractors; Technical and feasibility study consulting services; Mine planning and optimization services; Minerva digital platform solution that can be applied in mining operations.
- **Engineering, Procurement & Construction (EPC).** For the minerals and infrastructure industry, Petrosea provides the full range of EPC and operations services, including technical due diligence, conceptual to full bankable feasibility studies, front-end engineering design, detail engineering design, project management, plant and equipment hire, procurement and logistics, operation and maintenance services, construction, commissioning.
- **Oil & Gas Services.** Petrosea provides services for the oil & gas industry in Indonesia through our Petrosea Offshore Supply Base (POSB) supply base located in Sorong, West Papua, which consistently delivers international standard and cost-effective services to all our clients. Our high-quality supply base management capability, along with our strong focus on HSE, ensures that we are able to provide our services safely and efficiently, supporting offshore oil & gas production, development, and exploration throughout Indonesia.

Fig. 17: Mining contractor business operation



Source: Company, Sucor Sekuritas

Fig. 18: EPC business operation



Source: Company, Sucor Sekuritas

Fig. 19: Services business operation




Source: Company, Sucor Sekuritas

Board of Directors

<p>President Director</p>		<p>Michael, an Indonesian citizen, 35 years old, was appointed as President Director during the Extraordinary General Meeting of Shareholders on 4 December 2023.</p> <p>He currently serves as President Director of PT Petrindo Jaya Kreasi Tbk and President Director of PT Barito Pacific Lumber.</p> <p>Previously, he served as President Director at a subsidiary of PT Mitra Pinasthika Mustika Tbk (2017-2018). He began his career as a consultant at Skha Management Consulting (2011-2017).</p> <p>He earned his Bachelor's degree in Engineering from Parahyangan Catholic University in 2010 and Master's in Management from Prasetiya Mulya University in 2012.</p>
<p>Director</p>		<p>Kartika Hendrawan, an Indonesian citizen, 43 years old, was appointed as Director during the Extraordinary General Meeting of Shareholders on 4 December 2023.</p> <p>He currently serves as Group CFO of PT Petrindo Jaya Kreasi Tbk and Independent Commissioner of PT BNI Modal Ventura.</p> <p>Previously, he served as CFO of Sirclo / Orami (2015-2023), Investment Director of PT Eastspring Investments Indonesia (2013-2015), Principal at Indies Capital (2008-2013) and Investment Banking Associate at Citigroup (2007-2008). He began his career as an Analyst at NERA Economic Consulting.</p> <p>He earned his Bachelor's degree in Economics and Informatics from Wesleyan University in 2001 and a Master of Business Administration from Wharton School, University of Pennsylvania in 2007.</p>
<p>Director</p>		<p>Rudy Santoso, an Indonesian citizen, 46 years old, was appointed as Director during the Extraordinary General Meeting of Shareholders on 2 September 2022.</p> <p>Currently, he also serves as Director of PT POSB Infrastructure Indonesia (2021 until now) and Commissioner of PT Karya Bhumi Lestari (2022 until now).</p> <p>Previously he served in various positions at Petrosea, including Financial Controller, Corporate Planning Manager, Corporate Strategy Management Office, Asset Management Accounting Manager, Accounts Payable Manager, Accounting Manager – Mining, Senior Project Accountant, Project Accountant and System Implementation Officer, as well as Financial Controller at PT Mahaka Industri Perdana (2015-2016), Internal Audit Officer (2005-2006) and Management Trainee (February 2005-July 2005) at PT Sarana Titian Permata (a subsidiary of Kuok Group, Malaysia), Jakarta as well as Assistant to Sales & Operational Manager at Expert Computer International, Inc., Gardena, California, United States of America (February 2004-October 2004).</p> <p>He earned his Bachelor of Accountancy from Tarumanagara University in 2001 and Master of Business Administration in Information Technology from Oklahoma City University, Oklahoma, United States of America in 2003.</p>

<p>Director</p>		<p>Meinar Kusumastuti, Indonesian citizen, 48 years old, was appointed as Director during the Extraordinary General Meeting of Shareholders on 4 December 2023.</p> <p>Previously she served as Vice Director Legal & Communications of PT Petrosea Tbk (2022-2023), Director of PT Petrosea Tbk (2020-2022), Head of Corporate Legal PT Petrosea Tbk (2010-2020), Corporate Secretary of PT Petrosea Tbk (2010-2014), Legal Manager at PT Indika Energy Tbk (January 2008-June 2010) and Legal Counsel at PT Bhakti Investama Tbk (July 1999-December 2007). She has more than 21 years of experience in the legal field.</p> <p>She earned her Bachelor's of Law degree from the University of Indonesia in 1998.</p>
<p>Director</p>		<p>Iman Darus Hikman, Indonesian citizen, 42 years old, was appointed as Director during the Extraordinary General Meeting of Shareholders on 4 December 2023.</p> <p>Previously he served as Mining Director of PT Petrosea Tbk (2020-2023), Mining General Manager of PT Petrosea Tbk (2018-2020), Area Mining Manager of PT Petrosea Tbk (2015-2018), Technical Services Manager of PT Petrosea Tbk (2012-2015) and Mine Planning & Development Manager of PT KKB (CCOW) (2010-2012). He also served as a management trainee and several other positions (2004-2010). He has more than 19 years of experience in mining operations.</p> <p>He earned his Bachelor's degree in Mining Engineering from University of Islam Bandung in 2004, and a Master of Business Administration from Gadjah Mada University in 2018.</p>

Board of Commissioners

<p>President Commissioner</p>		<p>Osman Sitorus, an Indonesian citizen, 64 years old, was appointed as President Commissioner and concurrently Independent Commissioner during the Extraordinary General Meeting of Shareholders on 4th December 2023. He currently serves as Chairman of the Audit, Risk & Compliance Committee at PT Petrosea Tbk.</p> <p>He started his career as an auditor from 1986 to 2016 in a local public accounting firm that later became part of Deloitte in Indonesia. He is a member of the Accountant Professional Association and has served as Head of Division and Chair of the Capital Market Accounting Forum, the Indonesian Institute of Certified Public Accountants (IAPI). He is also a member of the Indonesian Institute of Accountants (IAI) and has served as a member of the Financial Accounting Standard Board.</p> <p>Graduated from the Faculty of Economics, Universitas Sumatera Utara, with a major in accounting in 1986 and obtained his Chartered Accountant (CA) from the Institute of Indonesia Chartered Accountants (IAI) and Certified Public Accountant from the Indonesian Institute of Certified Public Accountants (IAPI).</p>
<p>Commissioner</p>		<p>Prof. Ginandjar Kartasmita, an Indonesian citizen, 82 years old, was appointed as Commissioner during the Extraordinary General Meeting of Shareholders on 4th December 2023.</p> <p>Currently, he is the chairman of the Indonesian Shorinji Kempo Martial Arts Fraternity (Perkemi), founder and chairman of Dwiwarna High School, and Chairman of Perhimpunan Persahabatan Indonesia-Jepang. He lectures at Bandung Pasundan University and serves as Deputy Chairman of Lippo Group and External Administrative Counselor at Hiroshima University. He is also an advisor to Japan Overseas Infrastructure Investment Corporation for Transport and Urban Development (JOIN) and Deputy Chairman of the Indonesian He studied at Bandung Institute of Technology, Tokyo University for Agriculture and Technology, and earned degrees from various prestigious institutions, including Honorary Doctorates and a Doctorate from GRIPS.</p>
<p>Commissioner</p>		<p>Djauhar Maulidi S.E., M.B.A., an Indonesian citizen, 54 years old, was appointed as Commissioner during the Extraordinary General Meeting of Shareholders on 2 September 2022.</p> <p>Currently, he also serves as President Director of PT Rukun Raharja Tbk (2017 until now), President Commissioner of PT Energasindo Heksa Karya (2017 until now), President Commissioner of PT Triguna Internusa Pratama (2017 until now) and Director of PT Sentosa Bersama Mitra (2015 until now).</p> <p>Previously he served as Commissioner of PT Raharja Energi Cepu (2018-2019), Finance & Administration Director of PT Rukun Raharja Tbk (2011-2017), President Director of PT Triguna Internusa Pratama (2010-2017), President Director of PT Toha Sittah Salam (2009-2019), Finance & Business Development Director of PT Bumi Hasta Mukti (2006-2009) as well as Corporate Banking Head Sumitomo Mitsui Banking Corporation Indonesia (1993-2006).</p> <p>He earned his M.B.A. in Energy from the School of Business Management, Institut Teknologi Bandung, West Java, in 2010 and a Bachelor of Economics majoring in International Trade and Economics from Padjadjaran University, Bandung, West Java, in 1993.</p>

<p>Commissioner</p>		<p>Erwin Ciputra, an Indonesian citizen, 49 years old, was appointed as Commissioner during the Extraordinary General Meeting of Shareholders on 4th December 2023. He currently serves as Commissioner and Director in several Barito Group companies.</p> <p>Previously, he served as Director of Chandra Asri Trading Company Pte. Ltd. (2020-2022), President Commissioner of PT Synthetic Rubber Indonesia (2013-2019), President Director of PT Styrimdo Mono Indonesia (2010-2020), President Director of PT Petrokimia Butadiene Indonesia (2010-2019), Director of Altus Capital Pte. Ltd. (now Chandra Asri Trading Company Pte. Ltd.) (2010-2018), President Director of PT Chandra Asri (2007-2010), Deputy President Director of PT Chandra Asri (2004-2007), Corporate Planning Department Barito Pacific Group (2003-2004), UOB Global Treasury and Assets Management (2002-2003), Portfolio Manager Prism Capital Partners L.P. (2001-2002) and Research Associate Inc. at JP Morgan Securities Inc. (1998-1999). He began his career as an analyst at TIAA-CREF Management Inc. (1996-1998).</p> <p>He earned his Bachelor's degree in Economics from Wharton School, University of Pennsylvania, in 1996.</p>
<p>Commissioner</p>		<p>Jenderal Pol (Purn.) Drs. Sutanto, an Indonesian citizen, 73 years old, was appointed as Commissioner during the Extraordinary General Meeting of Shareholders on 2nd September 2022.</p> <p>Currently, he also serves as President Commissioner, Independent Commissioner and Commissioner at several entities in the form of limited liability companies.</p> <p>Previously he served as Kepala Badan Intelijen Negara Republik Indonesia (2010-2011), Kapolri (2005-2008), Kepala Pelaksana Harian Badan Narkotika Nasional (Februari 2005-Juli 2005), Kepala Lembaga Pendidikan & Latihan Polri (2002-2005), Kapolda Jawa Timur (2000-2002) and Kapolda Sumatera Utara (2000).</p> <p>He graduated from Akabri Kepolisian in 1973, Perguruan Tinggi Ilmu Kepolisian (PTIK) in 1983, SESIMPOL, Lembang Bandung in 1990 and Lemhanas in 2000.</p>
<p>Independent Commissioner</p>		<p>Setia Untung Arimuladi S.H., M.Hum., Indonesian citizen, 62 years old, was appointed as Independent Commissioner during the Extraordinary General Meeting of Shareholders on 2 September 2022. He currently serves as Vice General Chairman of Pengurus Pusat Keluarga Besar Purna Adhyaksa (2021-present) and has held numerous leadership roles in various organizations, including General Chairman of Persatuan Jaksa Indonesia (PJI) from 2018-2021, and Chairman of IKA SMA Negeri X Angkatan 1977 and IKA Fakultas Hukum Uninus (2016-2019). His earlier roles include Secretary, General Treasurer, and Deputy Treasurer of PJI, and involvement with Forum Komunikasi Putra/Putri Purnawirawan ABRI (1978-1982).</p> <p>He was Deputy Attorney General of Indonesia (May 2020-Jan 2022) and has held key positions such as Head of the Indonesian Attorney General's Training Center, Chief Prosecutor of West Java, and various roles within the Indonesian Attorney General's Office. He earned his degree from the University of Islam Nusantara, Bandung in 1980 and a Postgraduate degree from the University of Parahyangan, Bandung in 2004. His education includes various official services training and specialized courses in intelligence and environmental law.</p>

Global Economic Outlook

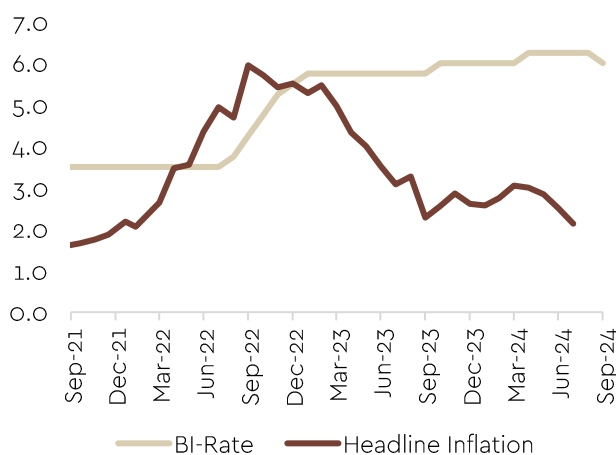
Capitalizing on Lower Policy Rates

The latest projection from the IMF in July estimates that global economic growth is expected to slow down in 2024 despite being revised up by 0.1%. Meanwhile, the US economic growth was revised down from 2.7% to 2.6%, while China slightly revised theirs higher from 4.6% to 5.0% in 2024. China is projected to grow even higher in 2025, with growth of 4.5%, up from the previous estimate of just 4.1%. For emerging markets, economic growth is expected to reach 4.3% in both 2024 and 2025, revised up by 0.1% from the April 2024 projection.

The US inflation indicators are increasingly approaching the Federal Reserve's 2.0% target. The Core PCE Index data recorded at 2.7% yoy in August 2024, indicating a decline in domestic consumption in the US. Additionally, the general inflation rate in the US also suggests a weakening of domestic consumption. The spread between inflation and interest rates in the US is widening. This spread indicates greater potential for the Fed to implement aggressive interest rate cuts. Low oil prices can help keep inflation low and within the Federal Reserve's target range. We anticipate that the terminal rate will remain low if Donald Trump is elected as the President of the US. Consequently, the projection for interest rate cuts by the Fed in 2024-2025 will be maintained. The Federal Reserve has the potential to cut interest rates by up to 250 basis points by the end of 2025.

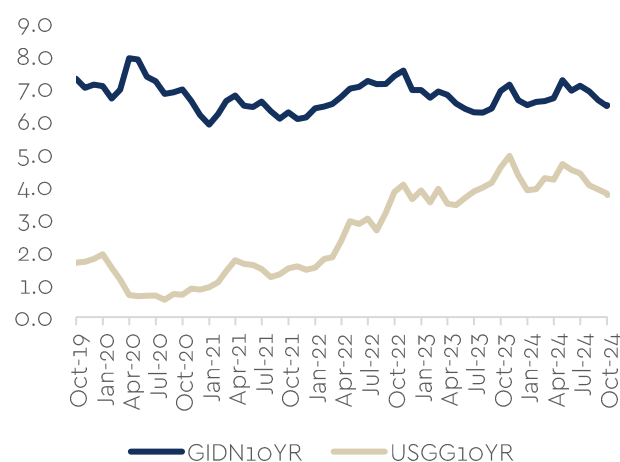
On the domestic side, Indonesia's fundamental performance is relatively stable, reflected by the inflation rate that has been moving within the government's target range of 1.5 – 3.5%. Furthermore, the continuous surplus of the trade balance for 41 consecutive months provides strong support for the Indonesian economy against global uncertainty. The stability of the trade balance helps prevent the rupiah from depreciating against the US dollar. The rising trend in imports of capital goods and raw materials indicates that manufacturing activity is poised for strong growth towards the end of 2024, along with a continuous increase in credit growth. We believe that this second-longest surplus trend in history can continue until the end of the year, supported by stable prices of Indonesia's export commodities. Furthermore, the increasing demand for coal exports to India and China is expected to drive coal prices higher, sustaining the surplus and strengthening the rupiah further towards 2025.

Fig. 20: BI-Rate vs. CPI (% yoy)



Source: Bloomberg, Sucor Sekuritas

Fig. 21: GIDN10Y vs. US10Y yields



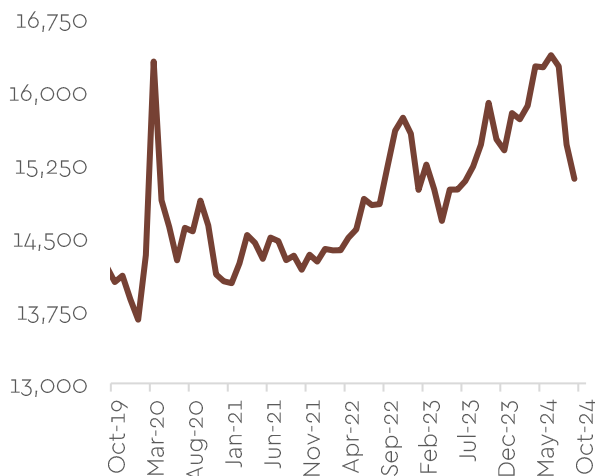
Source: Bloomberg, Sucor Sekuritas

A prudent government budget in 2025 provides a positive outlook for Indonesia's capital markets. The next government administration appears to focus on boosting domestic consumption to drive economic growth. This is evident from the increased spending on consumption-related areas, such as a higher budget for social assistance, and the reduction in infrastructure spending, which has a more lagged impact on economic growth. As a result of strong fundamental performance, there is a strong possibility that Indonesia will receive a sovereign rating upgrade in 2025. This upgrade would be driven by a higher GDP per capita and increased foreign exchange reserves resulting from a consistent trade balance surplus.

Geopolitical risk is a key factor

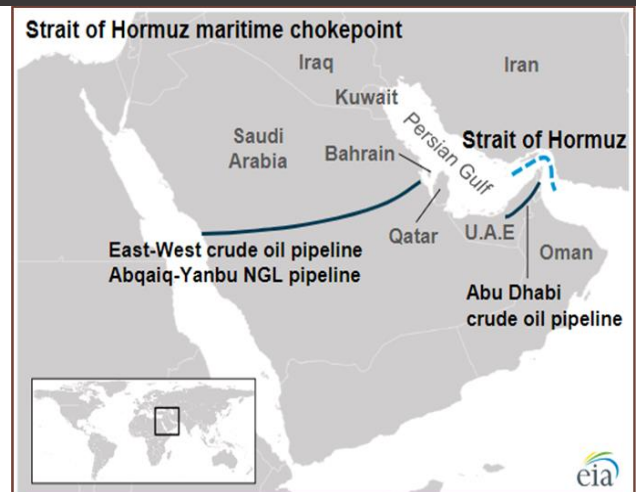
Geopolitical tensions in the Middle East and between Russia and Ukraine could disrupt interest rate cut assumptions if escalate further. For example, when the Russia-Ukraine war broke out in February 2022, oil prices immediately jumped from around \$70 per barrel to \$120 per barrel. It is undeniable that a similar surge in global commodity prices, including oil, could happen again as it did in 2022. Additionally, the geopolitical tension between Iran and Israel is a growing concern, especially given the different circumstances compared to 2022. The impact on global oil price fluctuations could be even greater because Iran controls the Strait of Hormuz, a critical chokepoint for 30% of the world's oil supply. If geopolitical tensions rise, Iran could potentially close the Strait of Hormuz, disrupting the global oil supply chain. We anticipate that oil prices could nearly double from their current levels. Consequently, a new wave of inflation could emerge, negating the cycle of interest rate cuts by central banks worldwide.

Fig. 22: USD/IDR



Source: Bloomberg, Sucor Sekuritas

Fig. 23: Hormuz Strait



Source: EIA, Sucor Sekuritas

Fig. 24: Commodities and Trade Balance Projection

	Coefficient	Base	Worst	Best
Trade Balance (\$ mn)	-	2,159	1,695	2,200
Brent	-16.04	84	160	70
Coal	8.65	120	165	112
CPO	0.34	3,875	4,400	3,532
Nickel	0.06	17,268	20,308	16,708

Source: Bloomberg, Sucor Sekuritas

Fig. 25: IMF Jul-24 Projection of Economic Growth (%yoy)

	2023	2024	2025
World Output	3.2	3.2	3.3
Advanced Economies	1.6	1.7	1.8
United States	3.1	2.6	1.9
Euro Area	0.4	0.9	1.5
Japan	1.3	0.7	1.0
Emerging Market	4.5	4.3	4.3
China	5.4	5.0	4.5
ASEAN-5	4.2	4.5	4.6

Source: IMF, Sucor Sekuritas

Summary Financials

Fig. 26: PTRO Key Financial Highlights

Income statement (USD mn)	2020	2021	2022	2023	6M24
Revenue	341	416	476	578	318
Cost of sales	(265)	(341)	(381)	(496)	(277)
Gross profit	75	75	95	82	41
Operating expenses	(27)	(30)	(35)	(47)	(27)
Operating profit	49	45	61	35	14
EBITDA	113	115	125	107	47
Financial income (expenses)	(7)	(3)	(6)	(19)	(13)
Others	(5)	(0)	(4)	(1)	2
Pre-tax Profit	36	41	50	16	3
Income tax, net	(3)	(7)	(9)	(4)	(2)
Minority Interests	(0)	(0)	(0)	(0)	(0)
PATMI	33	34	41	12	1
EPS (USD)	0.03	0.03	0.04	0.01	0.00
DPS (USD)	0.01	0.01	0.00	0.08	0.00

Balance Sheet (USD mn)	2020	2021	2022	2023	6M24
Cash & Equiv.	134	89	62	73	92
Accounts Receivables	77	92	123	199	167
Inventories	4	9	19	19	15
Fixed Assets, net	231	229	233	231	229
Other assets	83	113	161	206	233
Total Assets	530	533	596	728	736
CM of Long-term Debt	59	64	26	50	18
Short-term Bank Loans	20	-	45	37	44
Trade Payables	35	68	119	140	143
Long-term loans	123	72	44	164	187
Other liabilities	61	69	64	102	101
Total Liabilities	298	273	298	492	494
Shareholders equity	33	33	33	33	33
Minority interests	1	1	1	1	1
Retained earnings	205	230	271	212	210
Other Equity	(8)	(4)	(7)	(11)	(3)
Total Equity	231	260	298	236	242

Cash Flow Statement (USD mn)	2020	2021	2022	2023	6M24
Net Income	33	34	41	12	1
Depreciation & Amortization	(32)	47	14	38	12
Other Operating Cashflow	6	(29)	(53)	84	(46)
Changes in NWC	5	15	14	(40)	48
CF from Operation	13	68	15	94	16
Capex for Fixed Assets	52	(38)	(12)	(123)	6
Other Investing Cashflow	1	(3)	(7)	(20)	(5)
CF Investing	53	(41)	(19)	(143)	0
Change in Debt	(3)	(66)	(20)	135	(1)
Dividends Paid	(7)	(8)	(0)	(76)	(3)
Other Financing Cashflow	(6)	3	(3)	(3)	8
CF Financing	(17)	(72)	(24)	56	3
Changes in Cash	50	(44)	(27)	11	19
Beginning Balance	84	134	89	62	73
Ending Balance	134	89	62	73	92

Key Ratios	2020	2021	2022	2023	6M24
Gross Profit Margin (%)	22.1	17.9	20.0	14.2	12.8
Operating Profit Margin (%)	14.3	10.8	12.8	6.1	4.4
EBITDA Margin (%)	33.1	27.6	26.3	18.6	14.8
Net Profit Margin (%)	9.7	8.1	8.6	2.1	0.4
Return on Invested Capital (%)	12.7	(162.9)	211.6	79.7	5.6
Return on Equity (%)	14.4	13.0	13.8	5.2	1.1
Dividend Yield (%)	0.7	0.8	0.0	8.0	0.3
Interest Coverage Ratio (x)	5.0	8.0	8.2	1.8	1.1
Net Debt-to-equity (x)	0.3	0.2	0.2	0.8	0.7
Current Ratio (x)	1.6	1.4	1.2	1.2	1.2
Quick Ratio (x)	1.6	1.1	0.8	1.0	1.0
Revenue growth (%)	(28.5)	22.0	14.6	21.3	16.1
Oper. Profit growth (%)	(15.5)	(7.9)	36.2	(42.1)	(26.8)
EBITDA growth (%)	(11.4)	1.5	9.4	(14.4)	(9.3)
Net Profit growth (%)	5.2	1.7	21.5	(70.2)	(87.8)

Source: PTRO, Sucor Sekuritas

**Sucor Sekuritas
rating definition,
analysts certification,
and important disclosure**

Ratings for Sectors

- Overweight : We expect the industry to perform better than the primary market index (JCI) over the next 12 months.
- Neutral : We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.
- Underweight : We expect the industry to underperform the primary market index (JCI) over the next 12 months.

Ratings for Stocks

- Buy : We expect this stock to give return (excluding dividend) of above 10% over the next 12 months.
- Hold : We expect this stock to give return of between -10% and 10% over the next 12 months.
- Sell : We expect this stock to give return of -10% or lower over the next 12 months.

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