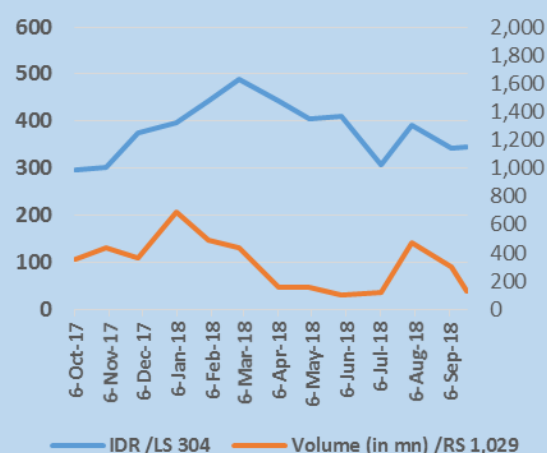


28 September 2018
Energy and Oil solution services,
Equity

Price IDR. 374
Target Price IDR. 605
JKSE Index 5929.2



Stock Code
Bloomberg code ELSA IJ
Market cap (IDR.bn) 2,715.0
52-Week High (IDR) 540
52-Week Low (IDR) 280
6-m Avg Daily. Val (IDR) 388
Free Float (%) 44

Major Shareholders (%)
PT Pertamina (Persero) 41.1%
Pension Fund Pertamina 14.9%
Public 44.0%

USD/IDR-YE
2017A 13,555
2018F (Avg) 14,293

Key Indicators 2019F
ROE (%) 10.30
Total Debt/ Equity (x) 0.20
Current ratio (x) 1.69

Analyst: Revita Dhiah Anggrainy
revita.anggrainy@binaartha.com

Investment Consideration Back on track

The slowdown due to expired blocks in Kalimantan which reduced DOS' profitability, is over. In terms of upstream Assets (DOS), this year ELSA continues to work on blocks such as Mahakam, Sangasanga, ONWJ, Pertamina's blocks, and others. Most contracts are from Pertamina group (EP, PEP, PHM, PGE Pertamina Gas), Medco and Conoco. During 1H18, Pertamina group contributed 66% to revenue while 34% is from 3rd parties. In marine seismic, work comes from projects in the Java sea, Singkawang, Selabangka, and soon in the Natuna sea. ELSA's non asset based work (Operation maintenance services) is doing well in supporting DOS and downstream, logistic and distribution services are increasing their contributions to sales. We believe, ELSA's focus in 2018 on increasing the contribution of non asset based downstream services will improve profitability, a lot.

Improving margins

Based on 1H18, margins are improving such as GPM which grew to 10.4% from 8.1% in 1H17 while EBITDA margin climbed from 0.7% to 4.4% in 1H18 . The improvement in margins is inline with new contract from seismic, drilling, and operation maintenance that gives higher margins. We estimate GPM and EBITDA margin in 2018-2019 to average 14% and 15.77%.

Valuation: significant upside

Based on DCF, with WACC 7.84% , we have a one year target price for ELSA of IDR. 605/share which puts the shares at 11.01x PER. With significant upside, our recommendation is BUY.

Profit and Loss (IDR.in bn)	2015 A	2016 A	2017 A	2018 F	2019 F
Revenues	3,775	3,621	4,979	5,806	6,160
Cost of operating revenues	(3,057)	(3,006)	(4,400)	(4,993)	(5,298)
Gross Profit	719	615	579	813	862
Operating expense	(249)	(196)	(234)	(290)	(308)
Operating Profit	470	419	345	523	554
Other income	43	7	(8)	(6)	(6)
PBT	513	425	337	517	548
taxes	(133)	(109)	(86)	(134)	(143)
Minority interest	(4)	(5)	(4)	(0)	(4)
Net Profit	375	311	247	382	401
EPS	51.4	42.6	33.9	52.4	55.0
EBITDA	732	722	711	915	971

Company Profile

PT Elnusa Tbk (ELSA) was established on 25 January 1969 as PT Elektronika Nusantara and changed its name to Elnusa on 9 September 1969. In 1972, ELSA became PT Pertamina's operations support services company and began entering into the oil and gas services industries by establishing a seismic data processing division. ELSA became a public company listed on the IDX on February 6, 2008. ELSA's main business is Seismic and oilfield services that consist of:

- 1). Integrated Upstream Oil and Gas Services (PT Elnusa Oilfield Services and PT Elnusa Geosains Services),
- 2). Oil and Gas Support Services (PT Elnusa Fabrikasi Konstruksi, PT Patra Nusa Data, PT Sigma Cipta Utama, and PT Elnusa Trans Samudera), and
- 3). Logistic and Distribution Services (PT Elnusa Petrofin, and PT. Elnusa Patra Ritel).

The company has started a marine support services division with a vessel called ELSA REGENT. This Indonesian-Flag Marine Seismic Vessel will explore for new reserves to help grow the national resources.

Company Structure

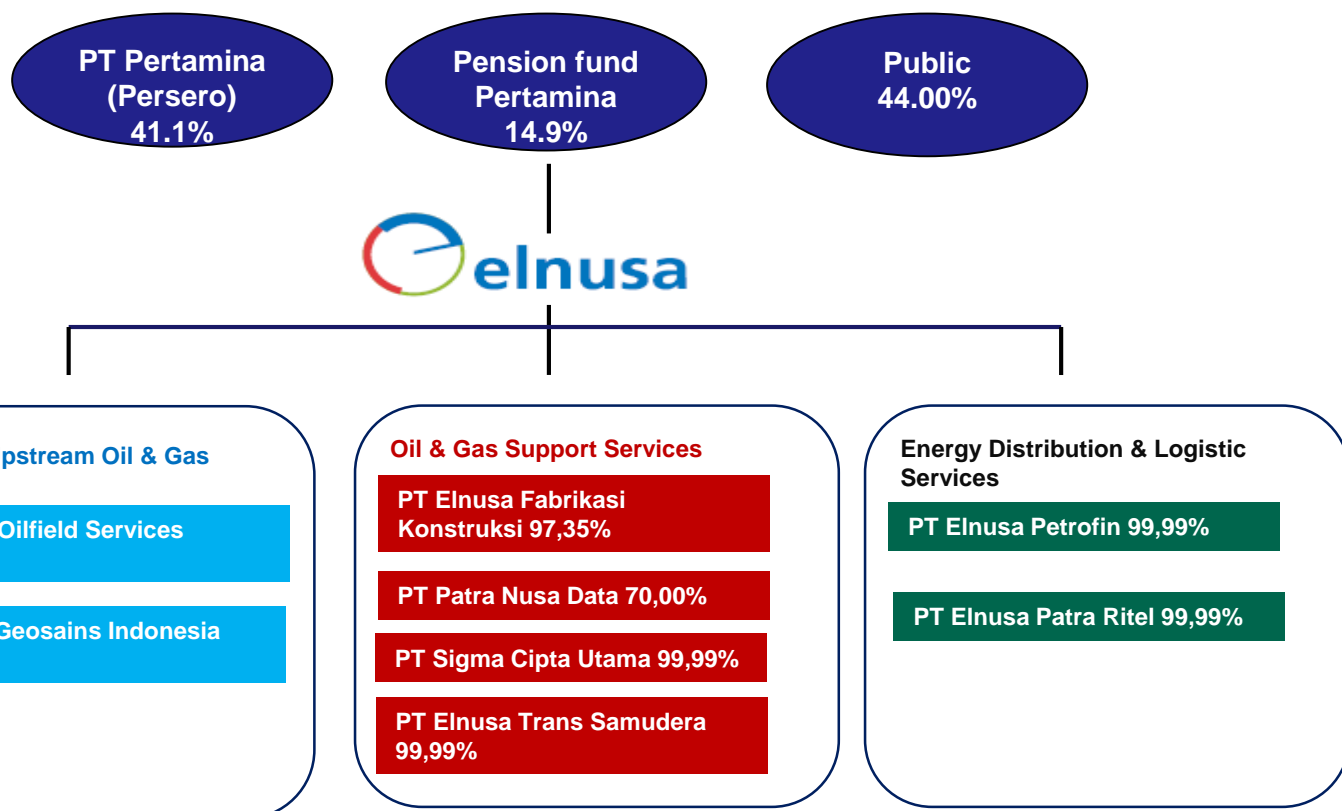


Chart: Elnusa's business unit revenue growth yoy (IDR. Bn)

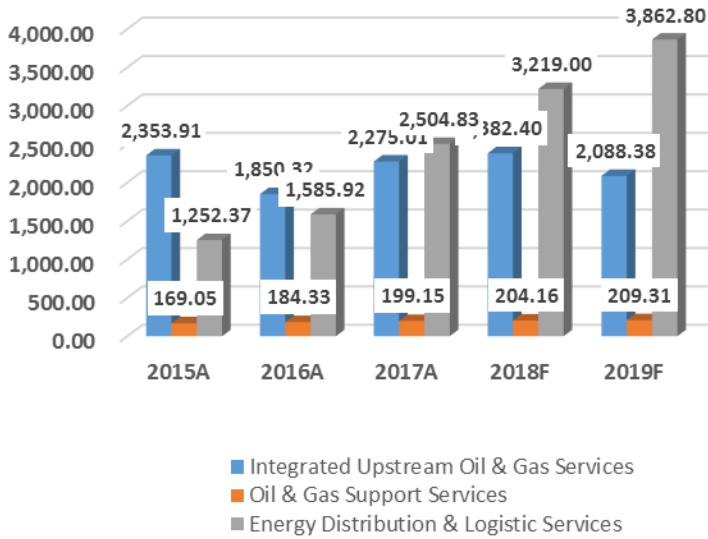


Chart: Elnusa's contribution revenue

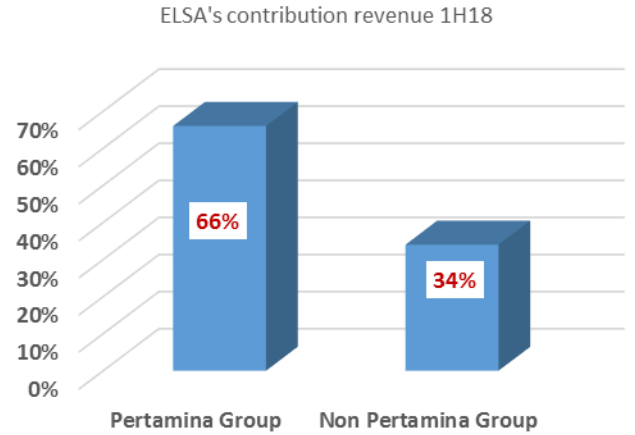
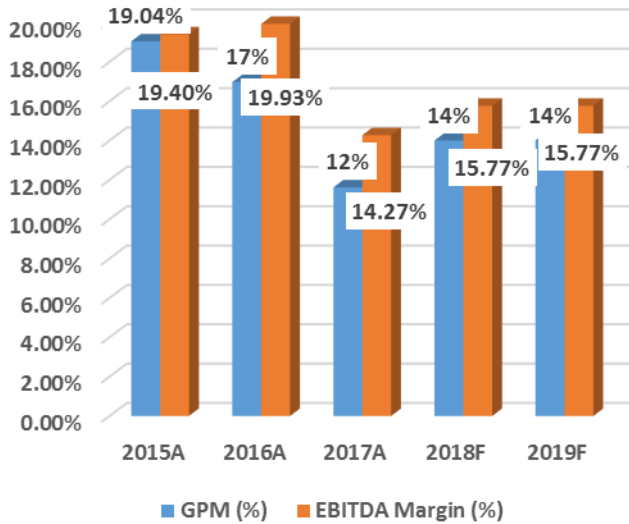
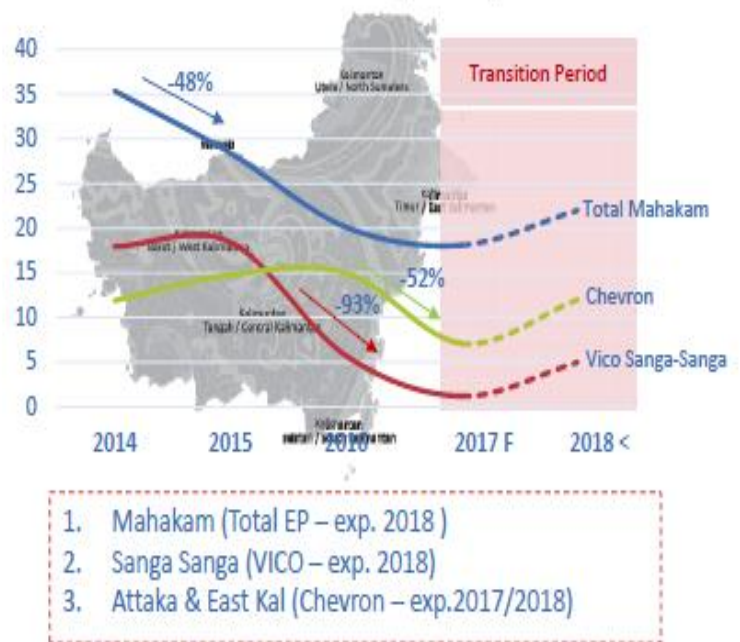


Chart: Elnusa's margin growth yoy (%)



Elnusa's DOS revenue contribution (in USD.mn)



Source: Binaartha and company

Profit and Loss (IDR.bn)

Profit and Loss (IDR.in bn)	2015 A	2016 A	2017 A	2018 F	2019 F
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EBITDA	732	722	711	915	971

Balance Sheet (IDR. in bn)

Balance sheet (IDR.in bn)	2015A	2016A	2017A	2018F	2019F
Cash and cash equivalent	935	744	903	1,293	1,008
Trade Account Receivable	790	714	1,259	1,467	1,557
inventory	128	131	97	127	135
Other current asset	226	276	122	139	148
Current Asset	2,079	1,865	2,379	3,027	2,849
Net Fixed Asset	1,481	1,592	1,569	1,665	1,890
other long term asset	848	734	907	1,045	1,109
Total non current Asset	2,328	2,326	2,476	2,710	2,999
Total Asset	4,408	4,191	4,855	5,737	5,848
Trade Account Payable	236	237	308	406	431
Short Term bank loans	218	487	695	875	575
Other Short term liabilities	994	531	754	697	678
Total current liabilities	1,449	1,254	1,758	1,978	1,683
Long term bank loans	296	34	0	216	216
Other Long term liabilities	28	25	45	52	55
Total long term/ non current liabilities	324	59	45	268	271
Total Liabilities	1,772	1,313	1,802	2,246	1,955
Total Equities	2,635	2,878	3,052	3,491	3,893
Total Liabilities and equity	4,408	4,191	4,854	5,737	5,848

Source: Binaartha and company

Cash flow (IDR. In bn)

Cash Flow (IDR. In bn)	2015A	2016A	2017A	2018F	2019F
+ Net Income	375	311	247	382	401
Depreciation	262.27	302.67	366.01	392.92	416.93
- Change in WC	102.44	(170.78)	147.43	(37.34)	(400.18)
Cash From Operating Activities	740.08	442.80	760.57	737.88	418.17
capex	(503.13)	(414.41)	(342.77)	(488.81)	(642.08)
other non current assets	(78.30)	114.09	(173.30)	(138.17)	(63.89)
cash from investing activities	(581.43)	(300.32)	(516.07)	(626.97)	(705.96)
Long term loans	47.09	(262.02)	(33.94)	216.06	0.00
other long term liabilities	(7.74)	(2.70)	19.56	7.41	3.18
Equity	(323.17)	(68.35)	(72.96)	56.99	0.10
cash from financing activities	(283.83)	(333.06)	(87.34)	280.47	3.28
Net Changes in Cash	(125.18)	(190.58)	157.16	391.37	(284.51)
Beginning Balance	1,060.15	934.97	744.39	901.55	1,292.92
Ending balance	934.97	744.39	901.55	1,292.92	1,008.41

Ratio Highlights

Ratio Highlights (%)	2015 A	2016 A	2017 A	2018 F	2019 F
Growth (% YoY)					
Sales	-11%	-4%	38%	17%	6%
OP	11%	-11%	-18%	52%	6%
EBITDA	12%	-1%	-2%	29%	6%
NP	-9%	-17%	-21%	55%	5%
EPS	-9%	-17%	-21%	55%	5%
Profitability (%)					
Operating Margin	12.5%	11.6%	6.9%	9.0%	9.0%
EBITDA margin	19.4%	19.9%	14.3%	15.8%	15.8%
NET Profit margin	9.9%	8.6%	5.0%	6.6%	6.5%
ROA	8.5%	7.4%	5.1%	6.7%	6.9%
ROE	14.2%	10.8%	8.1%	11.0%	10.3%
Stability					
Debt/ Equity (x)	0.20	0.18	0.23	0.31	0.20
Current Ratio (X)	1.44	1.49	1.35	1.53	1.69
int. & ST debt coverage (x)	0.05	0.05	0.03	0.03	0.03
Per Share data (Rp)					
EPS	51	43	34	52	55

Source: Binaartha and company

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-20%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

**RESEARCH TEAM
(62-21) 520-6678 ext.612**

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