

Investment Consideration Back on Track

Slowing activities at three expired blocks in Kalimantan which generated a 60%-70% annual contribution to DOS (asset based) revenue had meant a poor performance at the beginning of the year. But as of 9M17, ELSA was able to grow its revenue by 32% yoy mostly supported by the downstream segment (gives lower margin) and the non asset based DOS segment. Since 2H17, ELSA 's work volume has increased due to some significant projects in seismic and drilling. These have come from Pertamina EP, BP Tangguh and Conoco Philips. In marine seismic, ELSA's Regent is fully utilized this year, currently for a 3D marine seismic project in Andaman, Aceh, 95% completed up to November 2017, and previously on projects in Abar Anggursi and Selaru. In 2018, ELSA's Regent will work on several contracts which can not be published yet. In land seismic, in addition to the area of Selingsing and Kuala Kurun, ELSA has a 3D land seismic project in Klamosossa, West Papua in 2017 - 2018 which is 60% completes up to November 2017. Going forward, the Mahakam expired block will be transferred to Pertamina by January 2018, and ELSA is expecting contracts for activities in Block Mahakam will be reactivated, helping to generate more revenue that gives a higher margin in 2018. In addition, revenue will remain supported by the downstream segment and well maintenance from 2018 onward.

Improving in margin

With significant contract volume from seismic, drilling, and operation maintenance projects, margins have improved QoQ from 0.5% in 1Q17 to 2.6% in 3Q17. With the transfer of expired blocks in 2018 to Pertamina and more seismic contract volume in future, we estimate net profit margin 2017-2018F will rise to 4.5% and 8.3% respectively.

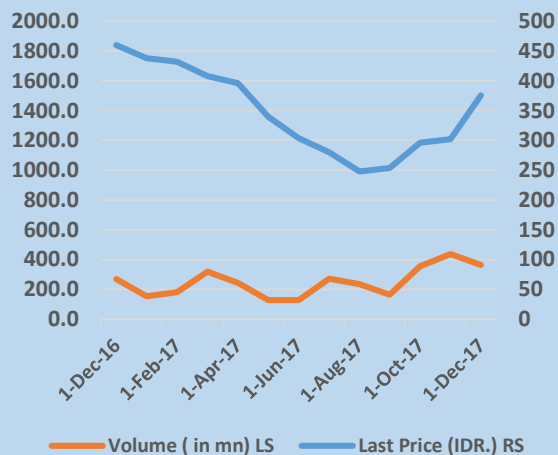
Valuation: 57% upside

Based on DCF, with WACC 9.3%, we have a one year target price for ELSA of IDR. 570/shares or trading at 10.7x PER. With 57% upside, Our recommendation is BUY

Profit and Loss (Rp.in bn)	2013 A	2014 A	2015 A	2016 A	2017F	2018F
Revenues	4,112	4,221	3,775	3,621	4,073	4,664
Cost of operating revenues	(3,465)	(3,461)	(3,057)	(3,006)	(3,585)	(3,871)
Gross Profit	647	760	719	615	489	793
Operating expense	(354)	(335)	(249)	(196)	(244)	(280)
Operating Profit	293	425	470	419	244	513
Other income	43	135	43	7	5	11
taxes	(95)	(142)	(133)	(109)	(62)	(131)
Minority interest	(5)	(6)	(4)	(5)	(5)	(6)
Net Profit	238	412	375	311	182	387
EPS	32.6	56.5	51.4	42.6	24.9	53.0
EBITDA	599	654	732	722	570	856

5 December 2017
Energy and Oil solution services,
Equity

Price IDR. 362
Target Price IDR. 570
JKSE Index 6033.71



Stock Code
Bloomberg code ELSA IJ
Market cap (IDR.bn) 2,671.3
52-Week High (IDR) 486
52-Week Low (IDR) 226
6-m Avg Daily. Val (IDR) 300
Free Float (%) 44

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

USD/IDR-YE
2016A 13,436
2017F (6M Avg) 13,398

Key Indicators 2018F
ROE (%) 11.20
Total Debt/ Equity (x) 0.54
Current ratio (x) 1.47

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

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 in 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

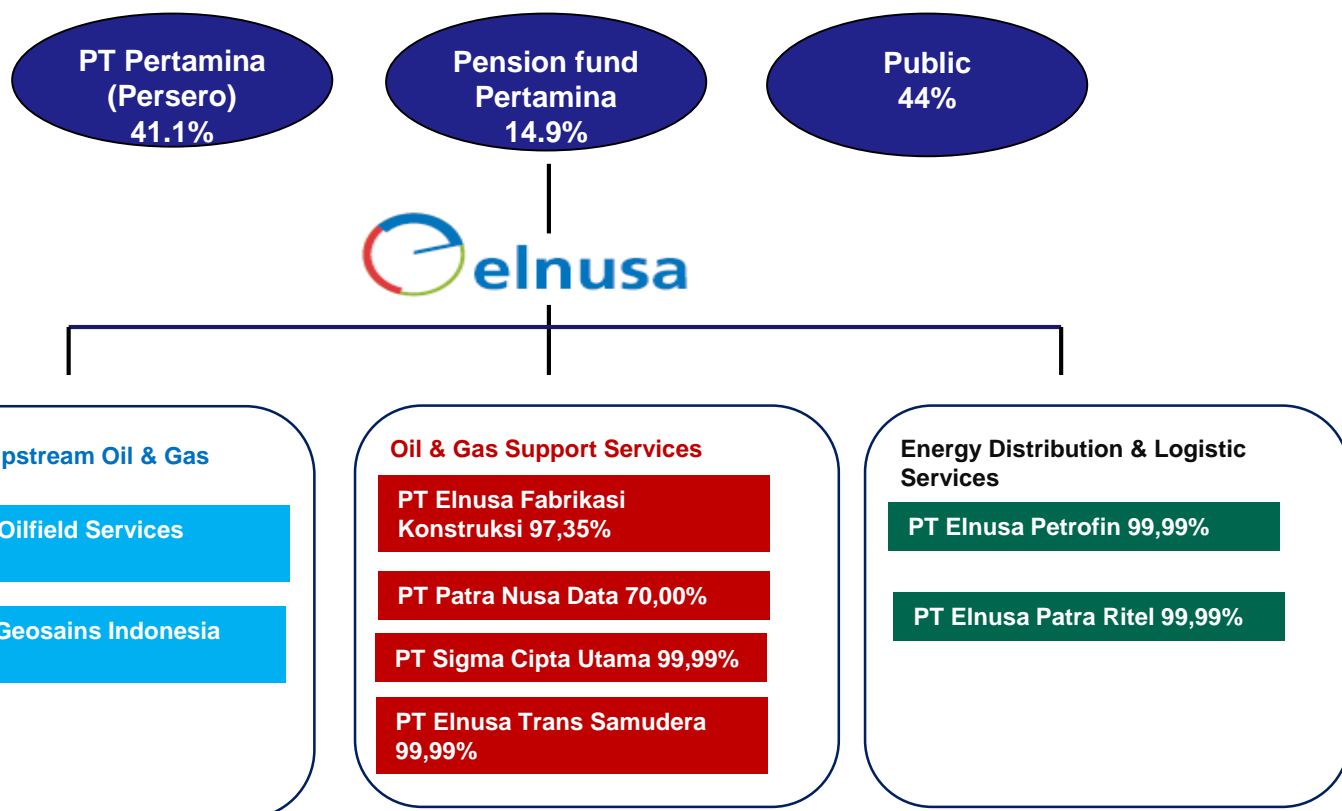


Chart: Elnusa's business unit revenue growth yoy (IDR. Bn)

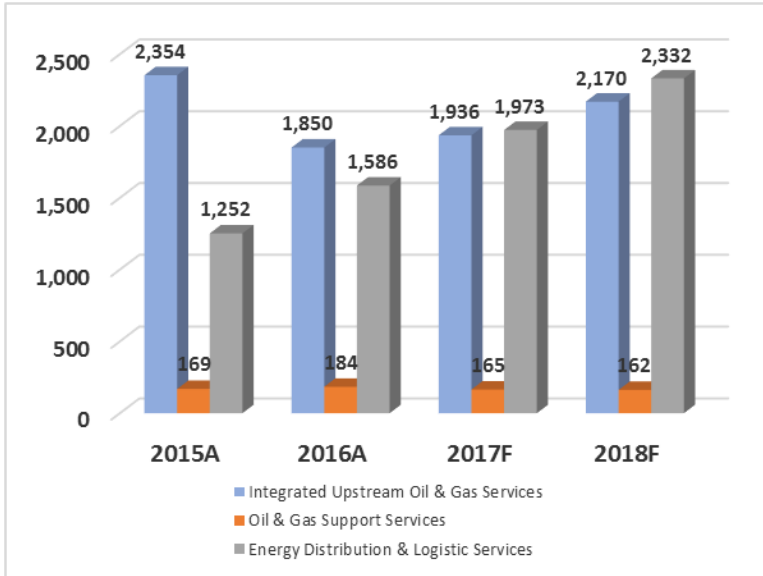


Chart: Elnusa's contract performances yoy

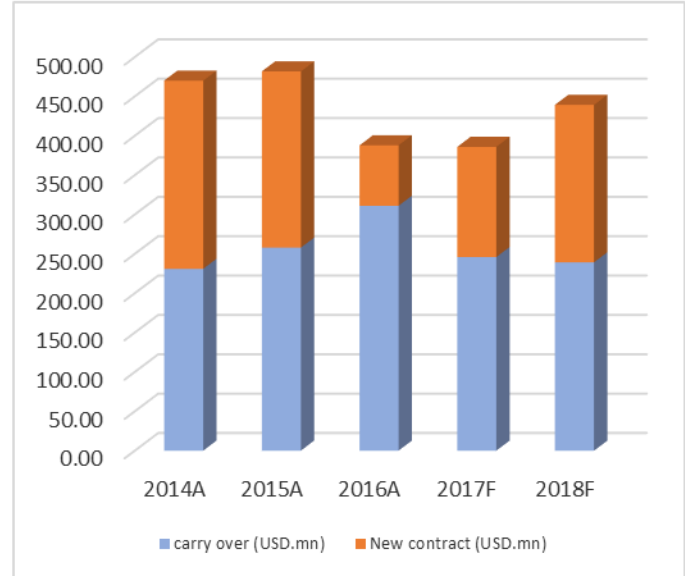
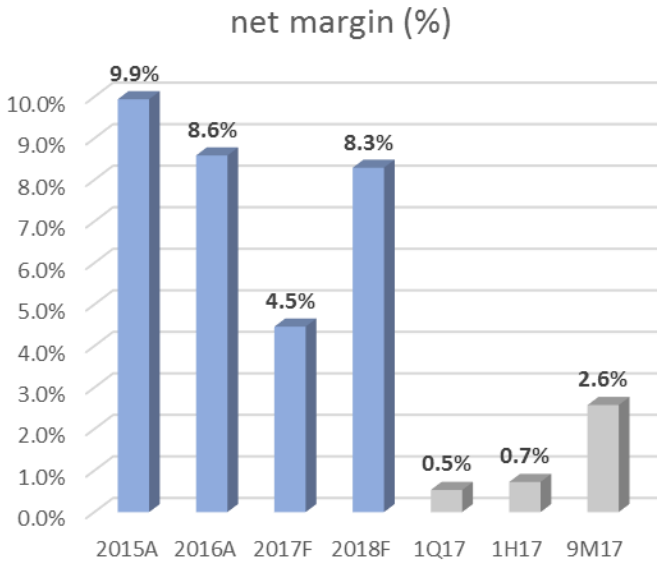
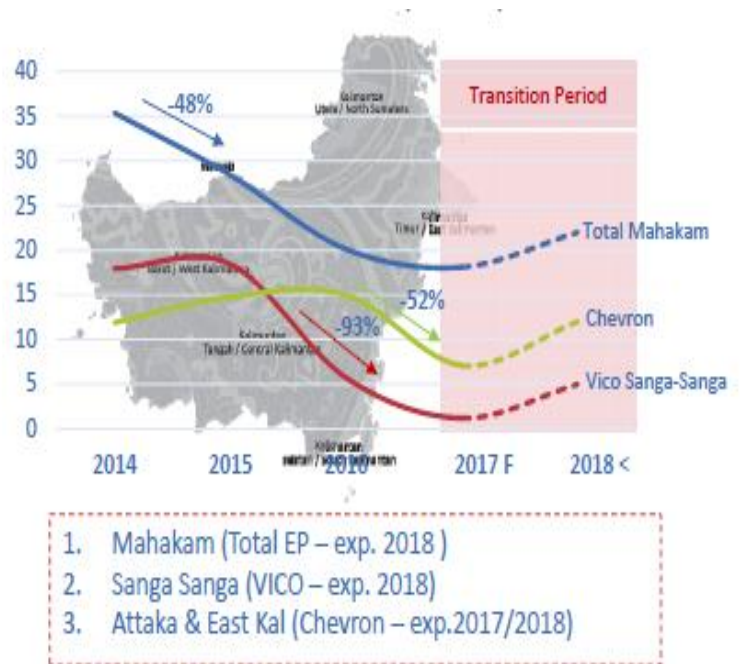


Chart: Elnusa's margin growth yoy (%)



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



Source: Binaartha and company

Profit and Loss (IDR.bn)

Profit and Loss (Rp.in bn)	2013 A	2014 A	2015 A	2016 A	2017F	2018F
Revenues	4,112	4,221	3,775	3,621	4,106	4,696
Cost of operating revenues	(3,465)	(3,461)	(3,057)	(3,006)	(3,613)	(3,898)
Gross Profit	647	760	719	615	493	798
Operating expense	(354)	(335)	(249)	(196)	(246)	(282)
Operating Profit	293	425	470	419	246	517
Other income	43	135	43	7	5	11
Pretax income(PBT)	337	560	513	425	252	527
taxes	(95)	(142)	(133)	(109)	(63)	(132)
Minority interest	(5)	(6)	(4)	(5)	(5)	(6)
Net Profit	238	412	375	311	183	389
EPS	32.6	56.5	51.4	42.6	25.1	53.3
EBITDA	599	654	732	722	572	860

Balance Sheet (IDR. in bn)

Balance sheet (IDR.in bn)	2013A	2014A	2015A	2016A	2017F	2018F
Cash and cash equivalent	1320	1060	935	744	704	719
Trade Account Receivable	958	930	790	714	1,100	1,399
inventory	103	115	128	131	102	182
Other current asset	112	131	226	276	104	224
Current Asset	2,492	2,237	2,079	1,865	2,009	2,524
Net Fixed Asset	1,049	1,240	1,481	1,592	1,679	1,888
other long term asset	830	769	848	734	1,018	933
Total non current Asset	1,879	2,009	2,328	2,326	2,697	2,821
Total Asset	4,371	4,246	4,408	4,191	4,707	5,345
Trade Account Payable	306	305	236	237	326	373
Short Term bank loans	269	187	218	487	458	416
Other Short term liabilities	986	886	994	531	815	933
Total current liabilities	1,560	1,378	1,449	1,254	1,598	1,722
Long term bank loans	496	249	296	34	15	118
Other Long term liabilities	30	36	28	25	28	32
Total long term/ non current liabilities	526	284	324	59	43	150
Total Liabilities	2,086	1,663	1,772	1,313	1,641	1,872
Total Equities	2,285	2,583	2,635	2,878	3,065	3,473
Total Liabilities and equity	4,371	4,246	4,408	4,191	4,707	5,345

Source: Binaartha and company

Cash flow (IDR. In bn)

Cash Flow (IDR. in bn)	2013A	2014A	2015A	2016A	2017F	2018F
+ Net Income	238	412	375	311	182	387
Depreciation	306	229	262	303	326	343
- Change in WC	83	(186)	102	(171)	159	(376)
Cash From Operating Activities	627	455	740	443	666	354
capex	(97)	(420)	(503)	(414)	(412)	(553)
other non current assets	(103)	60	(78)	114	(285)	86
cash from investing activities	(200)	(359)	(581)	(300)	(697)	(467)
Long term loans	(36)	(247)	47	(262)	(19)	103
other long term liabilities	(5)	6	(8)	(3)	3	4
Equity	5	(115)	(323)	(68)	6	21
cash from financing activities	(35)	(356)	(284)	(333)	(10)	128
Net Changes in Cash	391.49	(259.54)	(125.18)	(190.58)	(40.64)	15.23
Beginning Balance	928.20	1,319.69	1,060.15	934.97	744.39	703.74
Ending balance	1,319.69	1,060.15	934.97	744.39	703.74	718.97

Ratio Highlights

	2013A	2014A	2015A	2016A	2017F	2018F
Growth (% YoY)						
Sales	-14%	3%	-11%	-4%	13%	14%
Operating profit	16%	45%	11%	-11%	-42%	110%
EBITDA	-1%	9%	12%	-1%	-21%	50%
Net Profit	86%	73%	-9%	-17%	-41%	113%
EPS	86%	73%	-9%	-17%	-41%	113%
Profitability (%)						
Operating Margin	7.1%	10.1%	12.5%	11.6%	6.0%	11.0%
EBITDA margin	14.6%	15.5%	19.4%	19.9%	14.0%	18.4%
NET Profit margin	5.8%	9.8%	9.9%	8.6%	4.5%	8.3%
ROA	5.4%	9.7%	8.5%	7.4%	3.9%	7.8%
ROE	10.5%	16.2%	14.4%	10.9%	5.9%	11.2%
Solvability (x)						
Tot. debt/ Tot. Equity (x)	0.91	0.64	0.67	0.46	0.54	0.54
Debt ratio	0.48	0.39	0.40	0.31	0.35	0.35
Liquidity (x)						
Current Ratio (X)	1.60	1.62	1.44	1.49	1.26	1.47
Per Share data (Rp)						
EPS	33	57	51	43	25	53
BVS	309	350	356	389	420	473
EV/EBITDA (x)	2.89	3.00	3.02	3.68	4.97	3.84

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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