

Investment Consideration

40% growth from contract mining in 1Q23

In 1Q23, contract mining revenue maintained double digit growth of 40% YoY. PTRO recorded higher operational activities in all projects with total overburden removal volume (OB) increasing 15.97% YoY to 28.46 million BCM and coal production increasing by 8.54% YoY to 3.94 million tons mainly from Central Cipta Murdaya (CCM) and Kartika Selabumi Mining (KSM) projects. As the major contributor to PTRO's revenue, we estimate contract mining in 2023-2024F will maintain double digit growth. We forecast 2023-2024F contract mining revenue to grow 21% CAGR compared to 2022A.

Maintain higher margins

In the 1Q23, PTRO total revenue increased +34% YoY to USD 128.21 million on the back of higher Procurement, & Construction (EPS) and Contract mining sales, which grew 51.73% YoY and 40.17% YoY respectively. PTRO also recorded bottom line, net profit of USD 2.96 million with direct cost and operating expenses up by +33% and 42% YoY respectively. We estimate net profit in 2023-2024F will grow by 26% CAGR compared to 2022A. We estimate PTRO will maintain its net profit margin at 10.47% in 2023F compared to 8.59% in 2022A. Going forward, PTRO will complete existing contracts and the value of 2023 new contracts will be much greater than 2022. PTRO will develop existing opportunities for mining services and also add new contracts for gold, nickel and bauxite mines. The company also plans to grow its value by repositioning it self as a mine owner in the future.

Valuation: 35% upside

Based on 1Q23 result adjustments, our TP within one year is IDR 6,235 which is a 6.93x PER. With 35% upside, we maintain our recommendation to BUY.

	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Financial Ratio Highlights							
NPM (%)	6.54%	9.47%	8.11%	8.59%	10.47%	10.47%	10.47%
EPS	0.03	0.03	0.03	0.04	0.06	0.06	0.07
Total Debt/Equity (X)	1.59	1.29	1.05	1.00	0.89	0.96	0.89
ROE (%)	14.67%	13.95%	12.96%	13.73%	17.67%	16.25%	15.58%
EPS	0.03	0.03	0.03	0.04	0.06	0.06	0.07

9 May 2023
Coal Mining Contractor, Equity

Price IDR 4,620
Target Price IDR 6,235
JKSE Index 6,773.254

Dipublikasikan pada TradingView.com,
Feb 08, 2023 17:13 UTC+7



Stock Code PTRO IJ
Bloomberg code 5,380
Market cap (IDR.bn) 5,775
52-Week High (IDR) 2,620
52-Week Low (IDR) 4,141
6-m Avg Daily. Val (IDR) 10.20
Free Float (%)

Shareholders (%)
PT Caraka Reksa Optima 89.80
Public 10.20

USD/IDR-YE
2022A 15,592
2022F (Avg) 14,674

Key Indicators 2024F
ROE (%) 16.25
Total Debt/ Equity (x) 0.96
Current ratio (x) 1.77

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

Company Profile

PT Petrosea Tbk was incorporated as PT Petrosea International Indonesia in 1972 and changed its name into PT Petrosea Tbk after listing on the Jakarta and Surabaya Stock Exchanges (now Indonesia Stock Exchange). PTRO has several business lines including Contract mining, Engineering & Construction and Oil & Gas Services. In 2012, in order to comply with Bapepam-LK's regulation regarding public company take overs, Indika refloated a 28.75% stake to the public so that at the end of 2012, Indika had a 69.8% ownership in the company. Petrosea is supported by its main shareholder, PT Indika Energy Tbk, an integrated Indonesian energy company, providing its customers with ,integrated energy solutions through its complementary investments in the areas of energy resources, energy services and energy infrastructure. In addition, PTRO provides complete pit-to-port mining solutions, supported by integrated engineering, procurement and construction capabilities, and oil and gas logistics support services. PTRO also provides and offers offshore base solutions to the oil and gas industry through its POSB deepwater supply base. In 2022, PTRO is no longer INDY's subsidiary as new owner, PT Caraka Reksa Optima (CRO) has completed the acquisition of 69.80% of PT Petrosea for IDR. 2,19 trillion. CRO is known as an investment consortium, initiated by H. Robert Nitiyudo Wachjo, the owner of Indotan Group.

**Company Structure,
As of 1Q23**

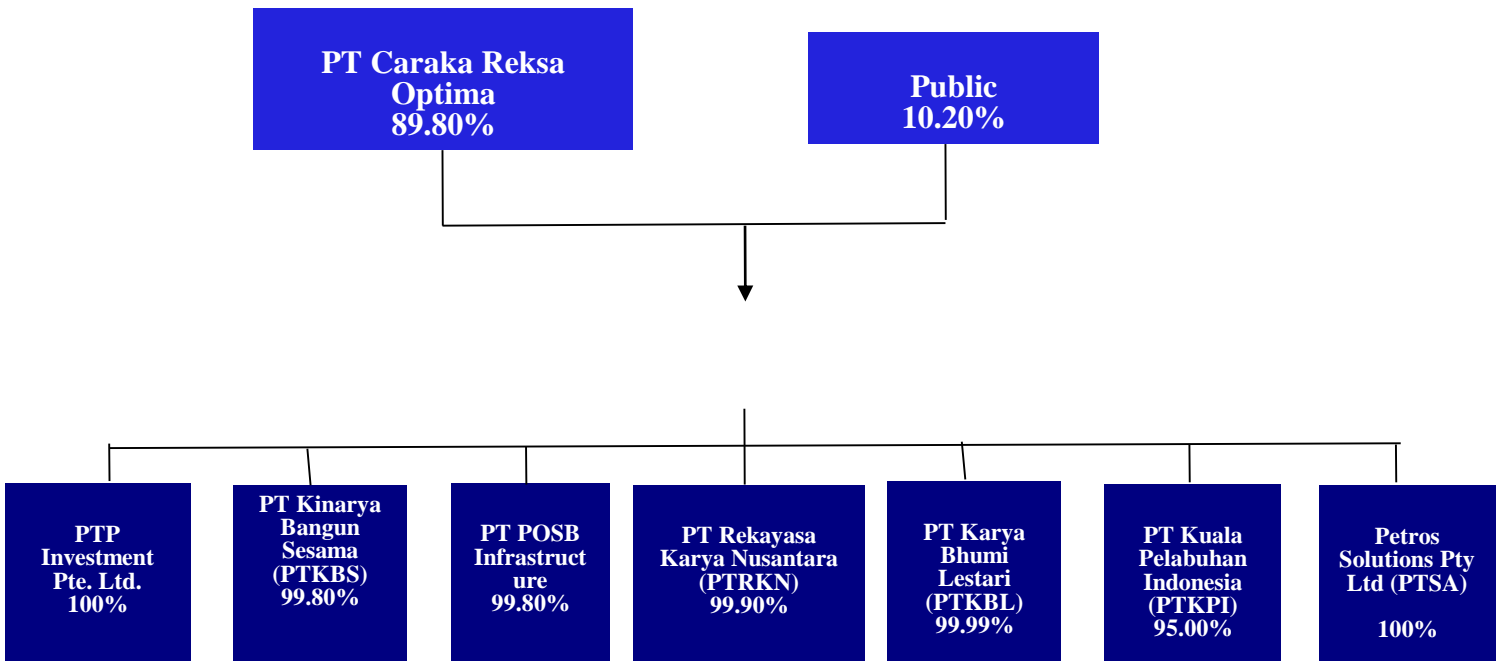


Chart: OB volume and coal production of Contract Mining YoY

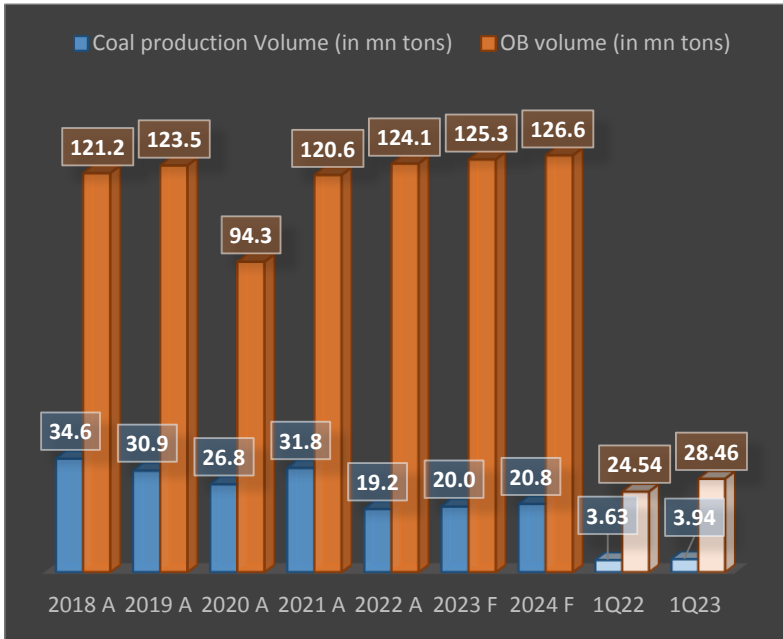


Chart: Contribution of each business lines to total revenue YoY

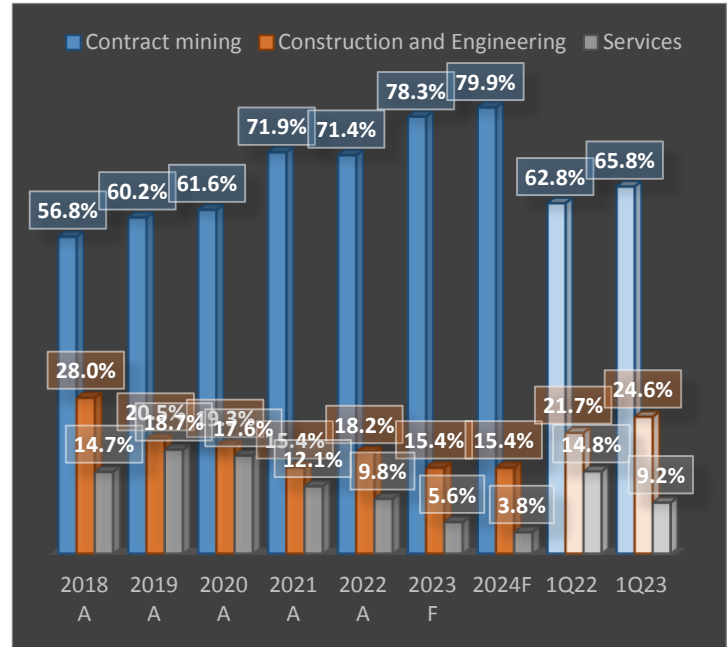


Chart: GPM and NPM YoY

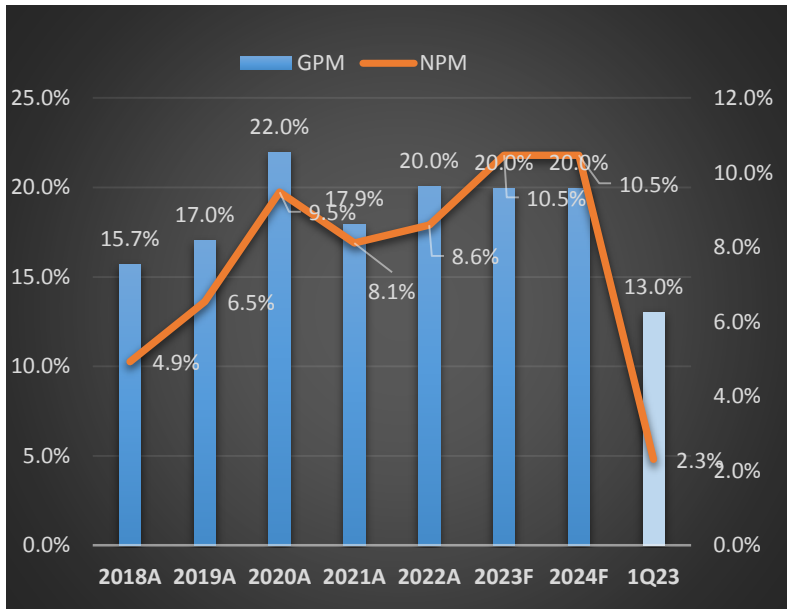
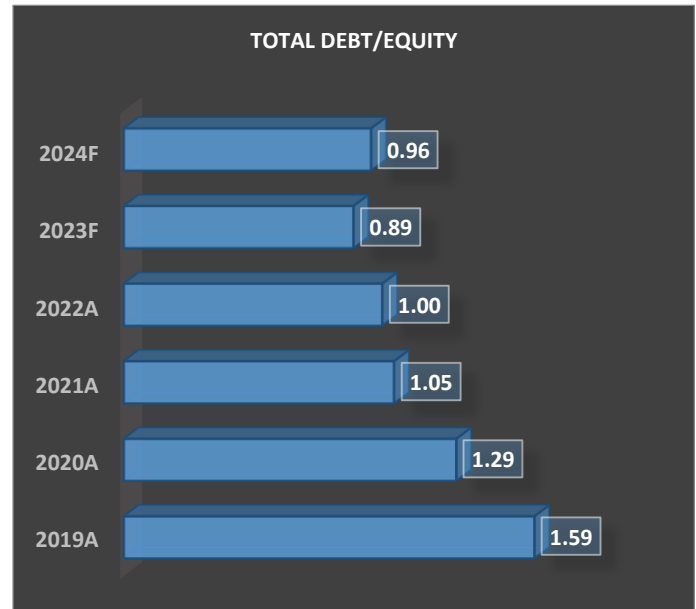


Chart: Total debt/equity (x) YoY



Profit and Loss

Profit and Loss (USD.mn)	2018 A	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Revenue	466	476	341	416	476	590	619	675
Direct cost	(393)	(395)	(266)	(341)	(381)	(472)	(496)	(540)
Gross Profit	73	81	75	75	95	118	124	135
Operating expense	(21)	(24)	(27)	(30)	(35)	(41)	(43)	(47)
Operating Profit	52	57	48	45	61	76	80	87
Other income	(18)	(17)	(12)	(3)	(11)	(8)	(9)	(10)
PBT	35	41	36	41	50	68	71	78
taxes	(11)	(9)	(3)	(7)	(9)	(6)	(6)	(7)
Minority Interest	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)	(0.4)	(0.4)	(0.4)
Net Profit	23	31	32	34	41	62	65	71
EPS	0.023	0.031	0.032	0.033	0.041	0.061	0.064	0.070
EBITDA	110	123	91	101	111	139	152	170

Balance Sheets

Balance sheet (US\$.mn)	2018A	2019A	2020A	2021A	2022A	2023F	2024F	2025F
Cash and cash equivalent	68.17	84.68	133.95	89.33	61.76	136.82	205.24	210.20
Trade Account Receivable	124.21	105.71	75.98	89.90	106.45	129.32	135.78	149.79
inventory	9.04	6.58	4.22	9.08	18.52	10.35	12.23	14.80
Other current asset	48.76	25.09	7.87	43.50	70.93	47.20	49.56	54.00
Current Asset	250.17	222.06	222.01	231.80	257.65	323.69	402.81	428.79
Net Fixed Asset	298.46	312.54	231.40	229.16	232.81	248.14	285.36	328.16
other long term asset	6.96	16.44	76.27	71.78	105.96	88.50	92.92	101.25
Non current Asset	305.42	328.98	307.67	300.94	338.77	336.64	378.28	429.41
Total Asset	555.59	551.04	529.69	532.74	596.42	660.33	781.09	858.20
Trade payable	93.00	60.49	35.27	67.83	118.54	80.82	84.86	94.31
Short Term bank loans	0.00	0.00	20.04	0.00	0.00	0.00	0.00	0.00
Current maturity of long term loan	21.66	42.80	58.58	63.97	26.15	82.60	86.73	94.50
Other Current liabilities	33.21	43.04	21.69	35.58	77.23	41.30	43.36	47.25
Current liabilities	147.86	146.34	135.58	167.38	221.92	204.72	214.96	236.06
Long term loans	172.20	125.57	94.32	50.98	28.32	70.80	74.34	74.25
lease Liabilities	8.24	25.68	28.95	20.87	16.11	35.40	37.17	40.50
Other Long term liabilities	36.16	40.89	39.40	33.28	32.08	0.00	55.75	54.00
Non current liabilities	216.60	192.14	162.67	105.13	76.51	106.20	167.26	168.74
Total Liabilities	364.46	338.48	298.25	272.51	298.43	310.92	382.22	404.80
Total Equities	191.13	212.56	231.44	260.22	297.99	349.41	398.87	453.40
Total Liabilities and equity	555.59	551.04	529.69	532.74	596.42	660.33	781.09	858.20

Cash Flow

Cash Flow (USD.in mn)	2019A	2020A	2021F	2022A	2023F	2024F	2025F
+ Net Income	31.18	32.28	33.71	40.92	61.75	64.83	70.64
+Depreciation	69.13	46.18	52.19	53.32	62.24	71.58	82.31
- Change in WC	43.10	38.55	(22.61)	1.12	(8.17)	(0.47)	0.08
Cash From Operating Activities	143.40	117.01	63.30	95.37	115.82	135.95	153.03
capex	(92.69)	(24.87)	(45.45)	(91.15)	(60.11)	(113.22)	(133.44)
cash from investing activities	(92.69)	(24.87)	(45.45)	(91.15)	(60.11)	(113.22)	(133.44)
Long term loans	(46.62)	(31.25)	(43.35)	(22.66)	42.49	3.54	(0.09)
lease Liabilities	17.44	3.27	(8.07)	(4.76)	19.29	1.77	3.33
Other Long term liabilities	4.73	(1.50)	(6.12)	(1.20)	(32.08)	55.75	(1.76)
equity	(9.74)	(13.40)	(4.93)	(3.16)	(10.33)	(15.37)	(16.11)
cash from financing activities	(34.20)	(42.88)	(62.47)	(31.78)	19.36	45.70	(14.64)
Net Changes in Cash	16.52	49.26	(44.62)	(27.56)	75.06	68.42	4.96
Beginning Balance	68.17	84.68	133.95	89.33	61.76	136.82	205.24
Ending balance	84.68	133.95	89.33	61.76	136.82	205.24	210.20

Financial Ratio Highlights

Ratio Highlights	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Growth (% YoY)							
Sales	2.30%	-28.49%	22.03%	14.57%	23.87%	5.00%	8.96%
OP	9.40%	-16.51%	-6.15%	36.12%	25.44%	5.00%	8.96%
EBITDA	11.93%	-25.93%	10.05%	10.20%	25.25%	9.48%	11.55%
NP	35.79%	3.54%	4.45%	21.39%	50.88%	5.00%	8.96%
EPS	35.79%	3.54%	4.45%	21.39%	50.88%	5.00%	8.96%
Profitability							
Operating Margin(%)	11.99%	14.00%	10.77%	12.79%	12.95%	12.95%	12.95%
EBITDA margin(%)	25.91%	26.84%	24.21%	23.28%	23.54%	24.55%	25.13%
NET Profit margin(%)	6.54%	9.47%	8.11%	8.59%	10.47%	10.47%	10.47%
ROA(%)	5.66%	6.09%	6.33%	6.86%	9.35%	8.30%	8.23%
ROE(%)	14.67%	13.95%	12.96%	13.73%	17.67%	16.25%	15.58%
Stability							
Total debt/ equity (X)	1.59	1.29	1.05	1.00	0.89	0.96	0.89
Current ratio (X)	1.52	1.64	1.38	1.16	1.58	1.87	1.82
Int. Coverage (x)	2.95	3.65	7.41	6.76	7.88	7.88	8.20
Per Share data (USD)							
EPS	0.03	0.03	0.03	0.04	0.06	0.06	0.07
BVS	0.21	0.23	0.26	0.30	0.35	0.40	0.45
EBITDA/share	0.12	0.09	0.10	0.11	0.14	0.15	0.17

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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