

Investment Consideration

Double digit growth in contract mining

As of 9M22, contract mining revenue growth was maintained at 6% YoY although coal production decreased -41% YoY to 14.04 mn tons while overburden volume (OB) growth was flat at +1%YoY despite a higher average coal selling price. Revenue from construction and engineering increased +40% YoY as a result of higher operational activities from the Flour-Petrosea underground ore project. PTRO continued to work on several projects for PT Freeport Indonesia, PT Kideco Jaya Agung as well as the development of the Awak Mas Gold mine project for PT Masmino. As the major contributor to PTRO's revenue, we estimate PTRO's contract mining in 2023F will maintain its double digit growth. We forecast 2023-2024F contract mining revenue to grow 14% CAGR compared to 2021A.

Margin increasing

As of 9M22, PTRO total revenue increased +9.31% YoY to USD 329.66 million on the back of higher operating activities in Engineering, Procurement, & Construction (EPS) and Contract mining. PTRO also recorded bottom line net profit of USD 30.78 million, up +114.5% YoY helped by low increases in direct and operating expenses which increased +2% and 6% YoY respectively. We estimate net profit in 2023-2024F will grow 20% CAGR compared to 2021A. We estimate PTRO will improve its net profit margin to 10.47% in 2023F compared to 8.11% in 2021A. PTRO has existing contracts worth around USD 1.6 billion and we expect the value of 2023 new contracts will be higher than 2022. We expect PTRO will keep existing opportunities in mining services while increasing value through new contracts for gold, nickel and bauxite mines. The company is well set to reposition itself as a mine owner in the future.

Valuation: 41% upside

Based on adjustments after the 9M22 results, we upgrade our TP within one year to IDR 7,700 which is a 9.0x PER. With 41% upside, we maintain our recommendation to BUY.

Financial Highlight

Ratio	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Sales growth (%)	2.30%	-28.49%	22.03%	15.56%	10.22%	4.54%
Net profit growth (%)	35.79%	3.54%	4.45%	36.73%	20.22%	4.54%
Net profit margin (%)	6.54%	9.47%	8.11%	9.60%	10.47%	10.47%
ROE (%)	14.67%	13.95%	12.96%	15.48%	16.22%	15.01%
Total debt/ equity (X)	1.59	1.29	1.05	0.98	0.96	0.89
EPS	0.031	0.032	0.033	0.046	0.055	0.057

10 February 2023
Coal Mining Contractor, Equity

Price IDR 5,450
Target Price IDR 7,700
JKSE Index 6,811.571

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Stock Code PTRO IJ
Bloomberg code PTRO IJ
Market cap (IDR.bn) 5,380
52-Week High (IDR) 5,775
52-Week Low (IDR) 2,280
6-m Avg Daily. Val (IDR) 2,322
Free Float (%) 10.20

Shareholders (%)
PT Caraka Reksa Optima 89.80
Public 10.20

USD/IDR-YE
2022A 15,592
2023F (Avg) 15,100

Key Indicators 2023F
ROE (%) 16.22
Total Debt/ Equity (x) 0.96
Current ratio (x) 1.70

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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 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 listed as INDY's subsidiary as new owner, PT Caraka Reksa Optima (CRO) has completed the acquisition of the 69.80% stake from PT Indika Energy (INDY) 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 9M22**

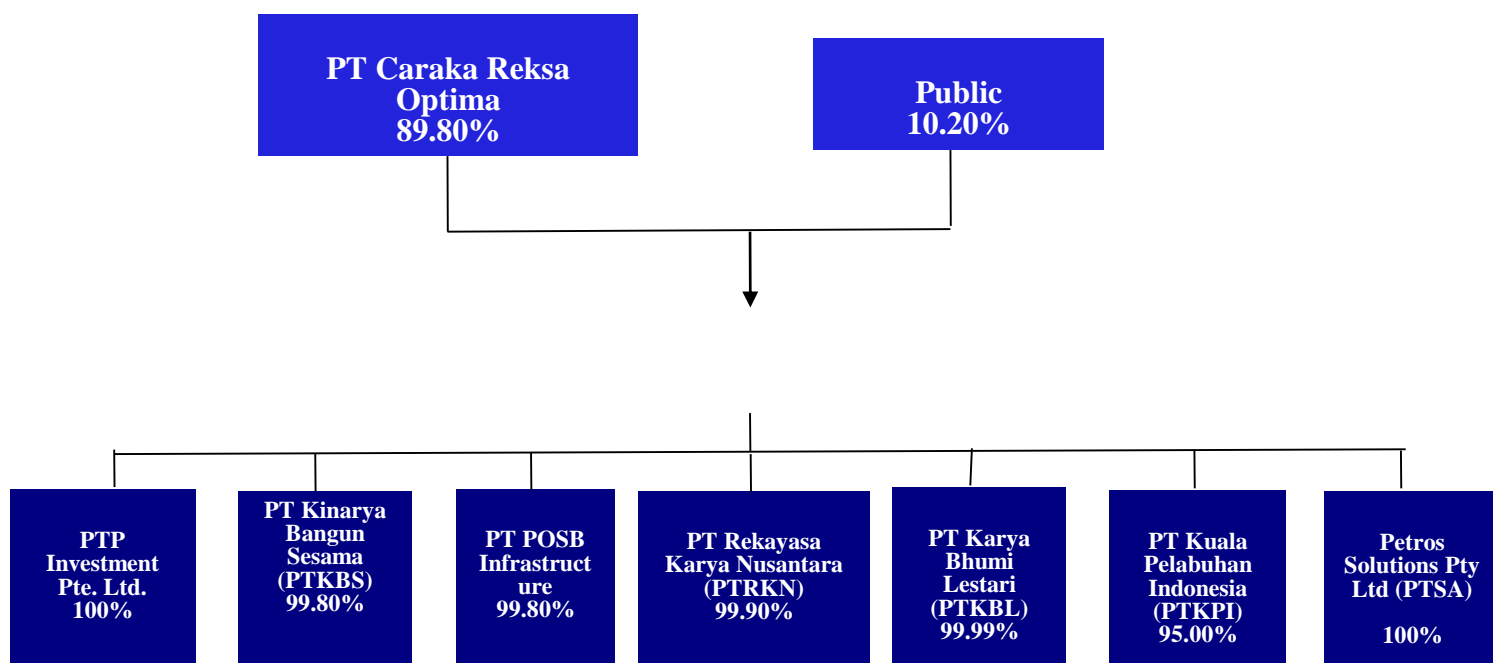


Chart: OB volume and coal production of Contract Mining YoY

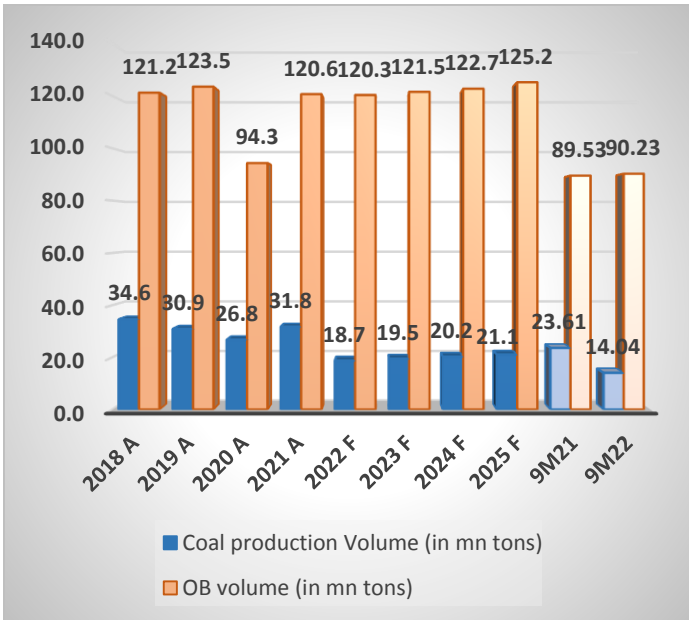


Chart: Contribution of each business lines to total revenue YoY

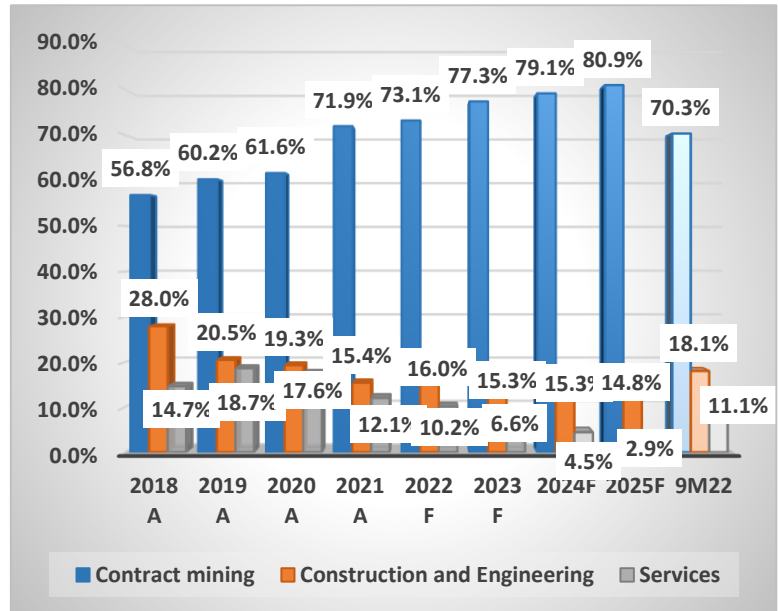


Chart: PTRO's Backlog contract YoY

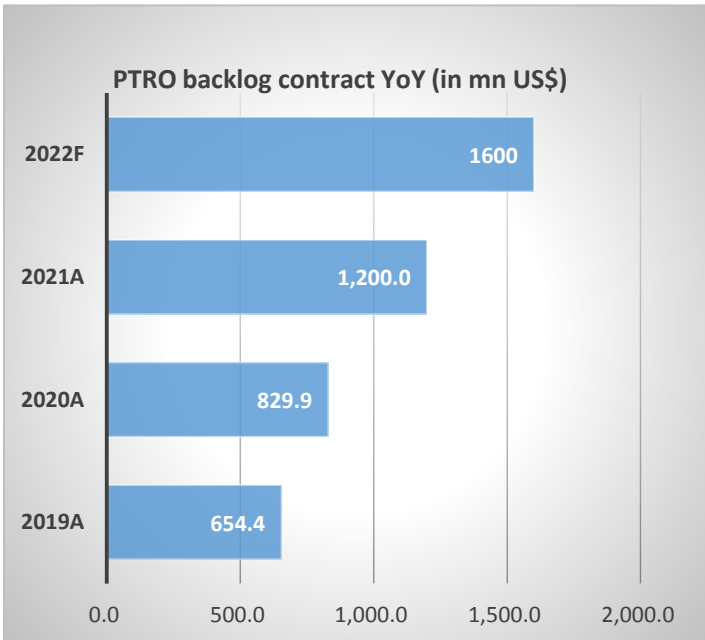
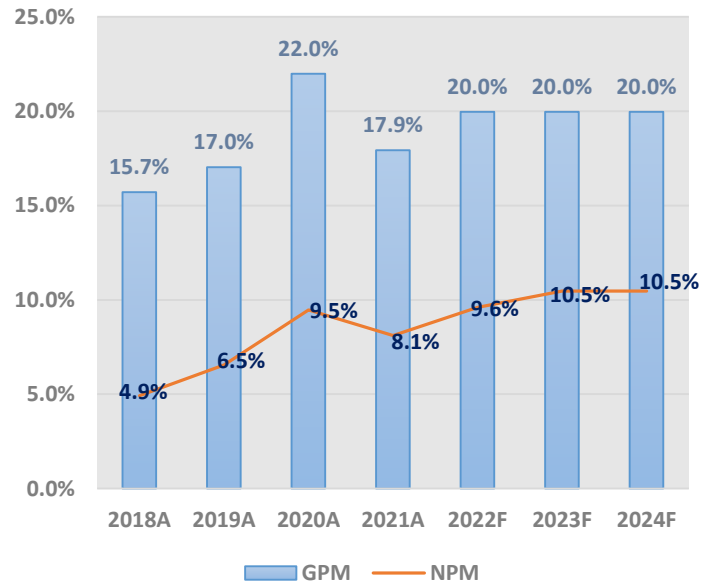


Chart: GPM and NPM YoY



Profit and Loss

Profit and Loss (USD.mn)	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F	2025 F
Revenue	476	341	416	480	530	554	603
Direct cost	(395)	(266)	(341)	(385)	(424)	(443)	(483)
Gross Profit	81	75	75	96	106	110	120
Operating expense	(24)	(27)	(30)	(34)	(37)	(39)	(42)
Operating Profit	57	48	45	62	69	72	78
Other income	(17)	(12)	(3)	(6)	(8)	(8)	(9)
PBT	41	36	41	56	61	64	70
taxes	(9)	(3)	(7)	(10)	(5)	(6)	(6)
Minority Interest	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)	(0.4)	(0.4)
Net Profit	31	32	34	46	55	58	63
EPS	0.031	0.032	0.033	0.046	0.055	0.057	0.063
EBITDA	123	91	101	123	138	152	170

Balance Sheets

Balance sheet (US\$.mn)	2019A	2020A	2021A	2022F	2023F	2024F	2025F
Cash and cash equivalent	84.68	133.95	89.33	101.66	145.33	150.48	145.62
Trade Account Receivable	105.71	75.98	89.90	105.30	116.07	121.34	133.90
inventory	6.58	4.22	9.08	8.43	9.29	10.93	13.23
Other current asset	25.09	7.87	43.50	38.43	42.36	44.29	48.27
Current Asset	222.06	222.01	231.80	253.82	313.05	327.04	341.02
Net Fixed Asset	312.54	231.40	229.16	263.53	275.98	317.38	364.98
other long term asset	16.44	76.27	71.78	72.07	79.43	83.04	90.51
Non current Asset	328.98	307.67	300.94	335.59	355.41	400.42	455.49
Total Asset	551.04	529.69	532.74	589.42	668.46	727.45	796.51
Trade payable	60.49	35.27	67.83	65.81	72.54	75.84	84.31
Short Term bank loans	0.00	20.04	0.00	0.00	0.00	0.00	0.00
Current maturity of long term loan	42.80	58.58	63.97	67.26	74.14	77.50	84.47
Other Current liabilities	43.04	21.69	35.58	33.63	37.07	38.75	42.24
Current liabilities	146.34	135.58	167.38	166.71	183.75	192.09	211.02
Long term loans	125.57	94.32	50.98	57.65	63.55	66.43	66.37
lease Liabilities	25.68	28.95	20.87	28.83	31.77	33.22	36.20
Other Long term liabilities	40.89	39.40	33.28	38.43	47.66	49.82	48.27
Non current liabilities	192.14	162.67	105.13	124.91	142.98	149.47	150.85
Total Liabilities	338.48	298.25	272.51	291.62	326.72	341.56	361.86
Total Equities	212.56	231.44	260.22	297.80	341.74	385.89	434.65
Total Liabilities and equity	551.04	529.69	532.74	589.42	668.46	727.45	796.51

Cash Flow

Cash Flow (USD.in mn)	2019A	2020A	2021F	2022F	2023F	2024F	2025F
+ Net Income	31.18	32.28	33.71	46.10	55.42	57.94	63.15
+Depreciation	69.13	46.18	52.19	60.20	69.23	79.61	91.55
- Change in WC	43.10	38.55	(22.61)	(10.36)	1.49	(0.49)	0.07
Cash From Operating Activities	143.40	117.01	63.30	95.93	126.13	137.06	154.77
capex	(92.69)	(24.87)	(45.45)	(94.86)	(89.05)	(124.61)	(146.63)
cash from investing activities	(92.69)	(24.87)	(45.45)	(94.86)	(89.05)	(124.61)	(146.63)
Long term loans	(46.62)	(31.25)	(43.35)	6.68	5.89	2.89	(0.06)
lease Liabilities	17.44	3.27	(8.07)	7.95	2.95	1.44	2.99
Other Long term liabilities	4.73	(1.50)	(6.12)	5.15	9.22	2.16	(1.55)
equity	(9.74)	(13.40)	(4.93)	(8.53)	(11.48)	(13.79)	(14.39)
cash from financing activities	(34.20)	(42.88)	(62.47)	11.25	6.59	(7.29)	(13.01)
Net Changes in Cash	16.52	49.26	(44.62)	12.33	43.67	5.15	(4.87)
Beginning Balance	68.17	84.68	133.95	89.33	101.66	145.33	150.48
Ending balance	84.68	133.95	89.33	101.66	145.33	150.48	145.62

Financial Ratio Highlights

Ratio Highlights	2019 A	2020 A	2021 F	2022 F	2023 F	2024 F	2025 F
Growth (% YoY)							
Sales	2.30%	-28.49%	22.03%	15.56%	10.22%	4.54%	8.99%
OP	9.40%	-16.51%	-6.15%	39.04%	10.22%	4.54%	8.99%
EBITDA	11.93%	-25.93%	10.05%	22.47%	12.00%	9.79%	11.92%
NP	35.79%	3.54%	4.45%	36.73%	20.22%	4.54%	8.99%
EPS	35.79%	3.54%	4.45%	36.73%	20.22%	4.54%	8.99%
Profitability							
Operating Margin(%)	11.99%	14.00%	10.77%	12.95%	12.95%	12.95%	12.95%
EBITDA margin(%)	25.91%	26.84%	24.21%	25.65%	26.07%	27.37%	28.11%
NET Profit margin(%)	6.54%	9.47%	8.11%	9.60%	10.47%	10.47%	10.47%
ROA(%)	5.66%	6.09%	6.33%	7.82%	8.29%	7.96%	7.93%
ROE(%)	14.67%	13.95%	12.96%	15.48%	16.22%	15.01%	14.53%
Stability							
Total debt/ equity (X)	1.59	1.29	1.05	0.98	0.96	0.89	0.83
Current ratio (X)	1.52	1.64	1.38	1.52	1.70	1.70	1.62
Int. Coverage (x)	2.95	3.65	7.41	7.97	7.88	7.88	8.20
Per Share data (USD)							
EPS	0.03	0.03	0.03	0.05	0.05	0.06	0.06
BVS	0.21	0.23	0.26	0.30	0.34	0.38	0.43
EBITDA/share	0.12	0.09	0.10	0.12	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.

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