

Investment Consideration

Double digit growth from contract mining

As of 9M21, contract mining revenue grew +44% YoY supported by an increase in overburden volume (OB) +30% YoY and coal production of 24% YoY, while revenue from other businesses declined on a YoY basis. The increase in contract mining gave PTRO's total revenue an increase of +20.67% YoY to USD 301.59 million from USD 249.93 million in 9M20. Contract mining was the largest contribution to PTRO's revenue at 72.5% in 9M21 compared to last year's, 60.7%. As a whole PTRO's long term contracts have durations averaging 5-7 years. An additional 2 new contracts from a new clients, PT Kartika Selabumi Mining with an average contract duration of 7 years (USD 182.45 million) and PT Hardaya Mining Energy & Central Cipta Murdaya (USD 264.78 million), will further increase contract mining revenue. We estimate Contract Mining revenue growth of 31% CAGR 2020A to 2022F.

Digitalization and diversification

PTRO continues to implement a digital transformation strategy that began in 2018, to strengthen productivity and efficiency. In addition, PTRO is continuing to diversify their mining contract business into non-coal projects. PTRO has signed an addendum to their cooperation agreement with PT Mekko Metal Mining with a 5-year contract worth USD 100 Million for a bauxite project located in West Kalimantan. Previously PTRO had also entered into gold business projects through its shareholder, PT Indika Energy Tbk (INDY) after INDY took over a 72% stake in Nusantara Resources Limited (NUS) which is managing Awak Mas gold mine project.

Maintain margin

Despite higher costs in 9M21 as a result of pre-operation costs to support new projects in coal and minerals, we believe PTRO through its cost effectiveness and liability management strategy, will be able to maintain net margin as it has done historically. As of 9M21, net profit margin was 4.76% compared to 5.20% in 9M20. We estimate the net profit margin will average 10.7% during 2021-2022F.

Valuation: 44% upside

We estimate a TP within one year of IDR 3090, which is a valuation of 4,20x PER with a 44% upside, our recommendation is BUY.

Profit and Loss (USD.mn)	2018 A	2019 A	2020 A	2021 F	2022 F	2023 F
Revenue	466	476	341	382	456	512
Direct cost	(393)	(395)	(266)	(305)	(347)	(389)
Gross Profit	73	81	75	76	110	123
Operating expense	(21)	(24)	(27)	(31)	(37)	(41)
Operating Profit	52	57	48	46	73	82
Other income	(18)	(17)	(12)	(5)	(15)	(16)
PBT	35	41	36	41	58	66
taxes	(11)	(9)	(3)	(4)	(5)	(5)
Minority Interest	(0.2)	(0.1)	(0.2)	(0.2)	(0.3)	(0.3)
Net Profit	23	31	32	37	54	60
EPS	0.023	0.031	0.032	0.036	0.053	0.060
EBITDA	110	123	91	101	128	145

21 January 2022
Coal Mining Contractor, Equity

Price IDR 2,150
Target Price IDR 3,090
JKSE Index 6,626.871

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Stock Code PTRO IJ
Bloomberg code PTRO IJ
Market cap (IDR.bn) 2,198.80
52-Week High (IDR) 2,930
52-Week Low (IDR) 1,670
6-m Avg Daily. Val (IDR) 2,322
Free Float (%) 15.19

Shareholders (%)
PT Indika Energy Tbk 69.80
Public 15.19
Lo Kheng Hong 15.01

USD/IDR-YE
2021A 14,278
2022F (Avg) 14,370

Key Indicators 2022F
ROE (%) 16.38
Total Debt/ Equity (x) 1.06
Current ratio (x) 1.64

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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, is a company with 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 solution to the oil and gas industry through its POSB deepwater supply base.

**Company Structure,
As of 9M21**

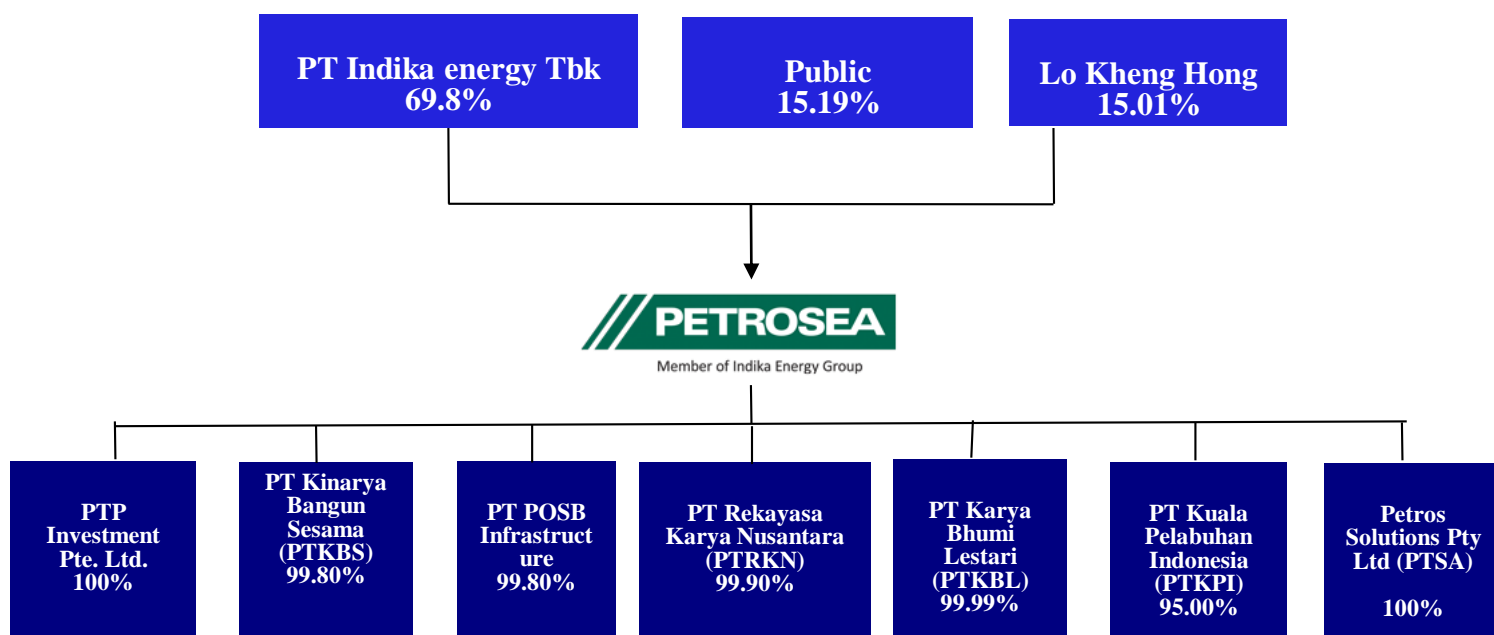


Chart: OB volume and coal production of Contract Mining YoY

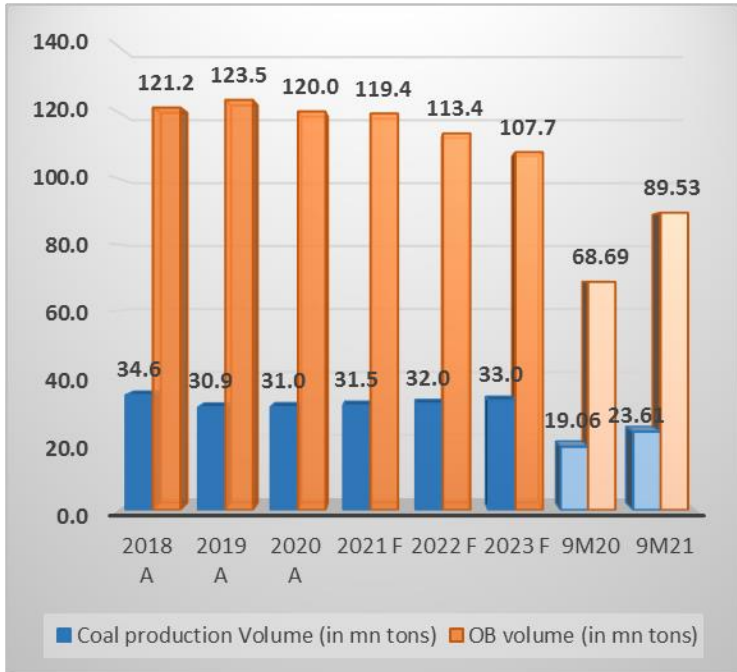


Chart: Contribution of each business lines to total revenue YoY

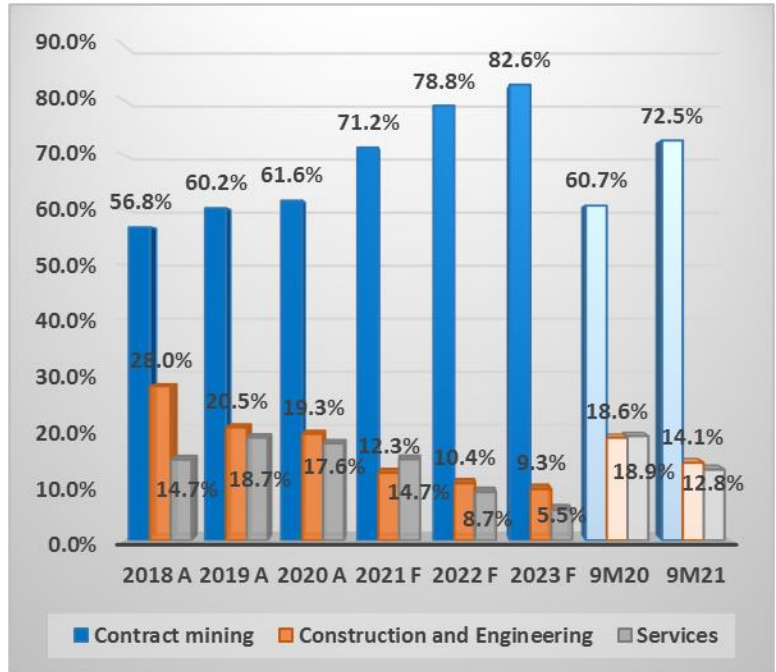


Chart: PTRO's Backlog contract YoY

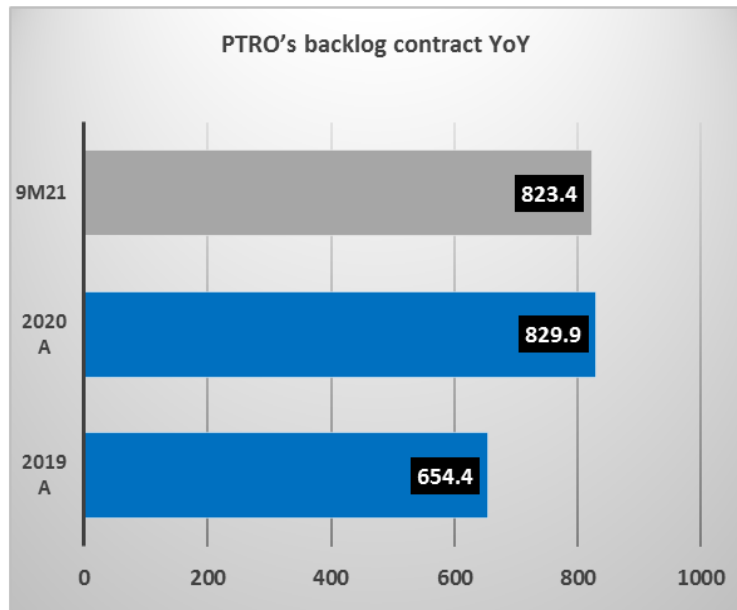
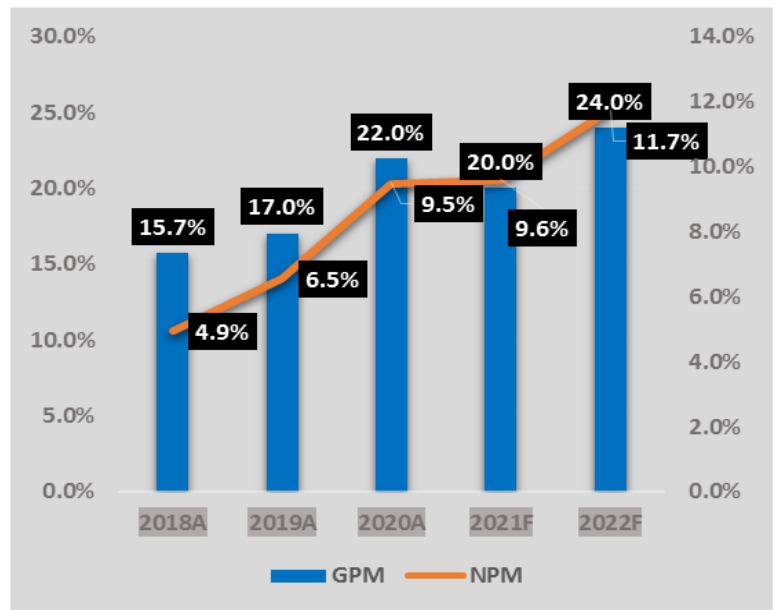


Chart: GPM and NPM YoY



Profit and Loss

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Balance Sheets

Balance Sheets (US\$.mn)	2018A	2019A	2020A	2021F	2022F	2023F
Cash and cash equivalent	68.17	84.68	133.95	113.72	122.38	149.86
Trade Account Receivable	124.21	105.71	75.98	106.64	127.52	143.18
inventory	9.04	6.58	4.22	6.69	7.60	8.53
Other current asset	48.76	25.09	7.87	41.98	50.20	56.36
Current Assets	250.17	222.06	222.01	269.03	307.70	357.93
Net Fixed Asset	298.46	312.54	231.40	243.59	280.13	322.15
other long term asset	6.96	16.44	76.27	72.51	86.70	97.35
Non Current Assets	305.42	328.98	307.67	316.10	366.83	419.49
Total Assets	555.59	551.04	529.69	585.13	674.53	777.43
Trade payable	93.00	60.49	35.27	83.64	87.52	98.26
Short Term bank loans	0.00	0.00	20.04	0.00	0.00	0.00
Current maturity of long term loan	21.66	42.80	58.58	64.87	68.45	76.85
Other Current liabilities	33.21	43.04	21.69	26.71	31.94	35.86
Current Liabilities	147.86	146.34	135.58	175.23	187.91	210.97
Long term loans	172.20	125.57	94.32	76.32	82.14	92.22
lease Liabilities	8.24	25.68	28.95	30.53	36.51	40.99
Other Long term liabilities	36.16	40.89	39.40	34.35	41.07	46.11
Non Current Liabilities	216.60	192.14	162.67	141.20	159.72	179.32
Total Liabilities	364.46	338.48	298.25	316.43	347.63	390.30
Total Equities	191.13	212.56	231.44	268.70	326.90	387.13
Total Liabilities and Equities	555.59	551.04	529.69	585.13	674.53	777.43

Cash Flow

Cash Flow (US\$.in mn)	2019A	2020A	2021F	2022F	2023F
+ Net Income	31.18	32.28	36.60	53.55	60.13
+Depreciation	69.13	46.18	52.19	60.90	70.03
- Change in WC	43.10	38.55	(27.59)	(17.33)	0.32
Cash Flow From Operating Activities	143.40	117.01	61.20	97.12	130.48
Capex	(92.69)	(24.87)	(60.61)	(111.63)	(122.69)
Cash Flow From Investing Activities	(92.69)	(24.87)	(60.61)	(111.63)	(122.69)
Long term loans	(46.62)	(31.25)	(18.00)	5.82	10.08
lease Liabilities	17.44	3.27	1.58	5.98	4.48
Other Long term liabilities	4.73	(1.50)	(5.05)	6.72	5.04
Equity	(9.74)	(13.40)	0.66	4.65	0.10
Cash Flow From Financing Activities	(34.20)	(42.88)	(20.81)	23.17	19.70
Net Changes in Cash	16.52	49.26	(20.23)	8.66	27.49
Beginning Balance	68.17	84.68	133.95	113.72	122.38
Ending balance	84.68	133.95	113.72	122.38	149.86

Financial Ratio Highlights

Ratio Highlights	2019 A	2020 A	2021 F	2022 F	2023 F
Growth (% YoY)					
Sales	2.30%	-28.49%	12.01%	19.58%	12.27%
OP	9.40%	-16.51%	-3.99%	59.44%	12.27%
EBITDA	11.93%	-25.93%	10.23%	26.77%	13.57%
NP	35.79%	3.54%	13.38%	46.33%	12.27%
EPS	35.79%	3.54%	13.38%	46.33%	12.27%
Profitability					
Operating Margin(%)	11.99%	14.00%	12.00%	16.00%	16.00%
EBITDA margin(%)	25.91%	26.84%	26.41%	28.00%	28.33%
NET Profit margin(%)	6.54%	9.47%	9.59%	11.74%	11.74%
ROA(%)	5.66%	6.09%	6.25%	7.94%	7.73%
ROE(%)	14.67%	13.95%	13.62%	16.38%	15.53%
Stability					
Total debt/ equity (X)	1.59	1.29	1.18	1.06	1.01
Current ratio (X)	1.52	1.64	1.54	1.64	1.70
Int. Coverage (x)	2.95	3.65	5.12	6.89	6.89
Per Share data (USD)					
EPS	0.03	0.03	0.04	0.05	0.06
BVS	0.21	0.23	0.27	0.32	0.38
EBITDA/share	0.12	0.09	0.10	0.13	0.14

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

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