

Investment Consideration

Double digit growth from contract mining

As of 2021, contract mining revenue grew +42% YoY supported by an increase in overburden volume (OB) of +28% YoY and coal production growth of 19% YoY. Revenue from other businesses declined on a YoY basis. Revenue from EPC decreased -2.52% yoy to US\$ 64.2 million and revenue from Logistic & support services also decreased -16.18% yoy to US\$ 50.25 million. We estimate Contract Mining revenue growth of 26% CAGR 2021A to 2023F.

Signing more contracts

PTRO has signed an addendum to their cooperation agreement with PT Mekko Metal Mining with a new 5-year contract worth USD 100 Million for a bauxite project located inside PT Masmindo Dwi's Awak Mas Gold mine project in South Sulawesi. PTRO also signed a 7-year US\$ 183 million contract with PT kartika Selabumi Mining for a coal project located in East Kalimantan, and with PT Central Cipta Murdaya, a 4 – year US\$ 265 million contract. We believe these new contracts will support PTRO's future revenue growth.

Maintaining margin

Despite higher costs in 2021 as a result of pre-operation costs to support new projects in coal and minerals, PTRO through its cost effectiveness and liability management strategy, has been able to maintain net margins as it has done historically. As of 2021, the net profit margin was 8.11% compared to 9.47% in 2020. We estimate the net profit margin will average 8.1% during 2021-2023F.

Valuation: 24% upside

We upgrade our TP within one year to IDR 3,460 which is a 5.62x PER. With 24% upside, we maintain our recommendation to BUY.

Profit and Loss (USD.mn)	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Revenue	466	476	341	416	522	573	627
Direct cost	(393)	(395)	(266)	(341)	(418)	(459)	(502)
Gross Profit	73	81	75	75	104	114	125
Operating expense	(21)	(24)	(27)	(30)	(42)	(46)	(50)
Operating Profit	52	57	48	45	62	69	75
Other income	(18)	(17)	(12)	(3)	(12)	(14)	(15)
PBT	35	41	36	41	50	55	60
taxes	(11)	(9)	(3)	(7)	(5)	(6)	(6)
Minority Interest	(0.2)	(0.1)	(0.2)	(0.2)	(0.3)	(0.4)	(0.4)
Net Profit	23	31	32	34	44	49	53
EPS	0.023	0.031	0.032	0.033	0.044	0.048	0.053
EBITDA	110	123	91	101	118	132	149

6 April 2022
Coal Mining Contractor, Equity

Price **IDR 2,780**
Target Price **IDR 3,460**
JKSE Index **7,128.05**



Stock Code **PTRO IJ**
Bloomberg code **2,700**
Market cap (IDR.bn) **2,950**
52-Week High (IDR) **1,815**
52-Week Low (IDR) **2,322**
6-m Avg Daily. Val (IDR) **15.19**
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) **14,346**

Key Indicators **2022F**
ROE (%) **14.57**
Total Debt/ Equity (x) **1.04**
Current ratio (x) **1.54**

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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 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.

**Company Structure,
As of 9M21**

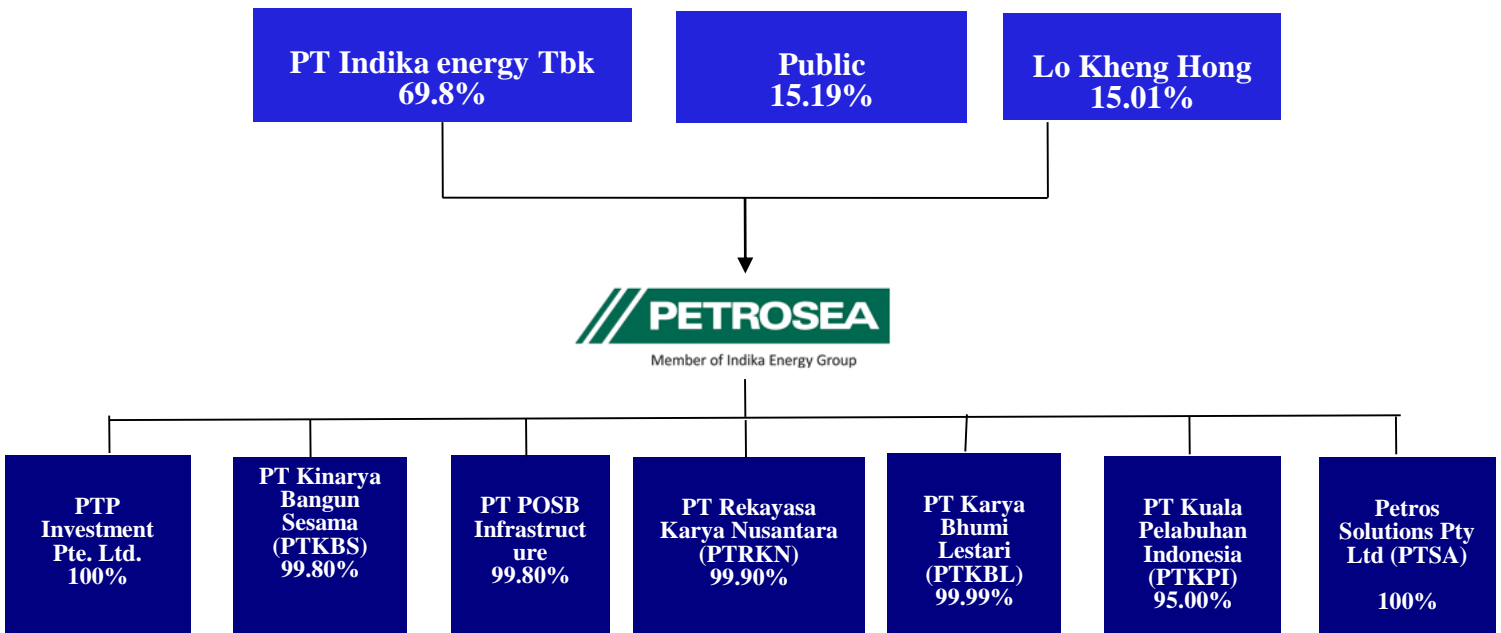


Chart: OB volume and coal production of Contract Mining YoY

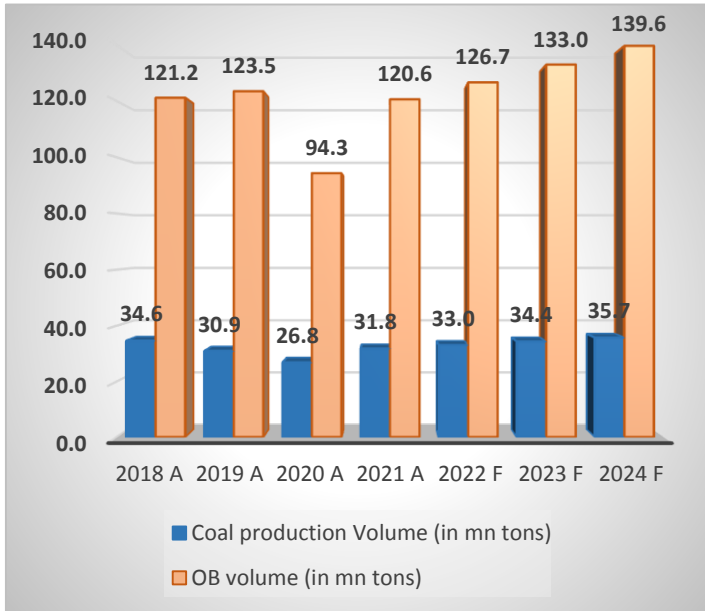


Chart: Contribution of each business lines to total revenue YoY

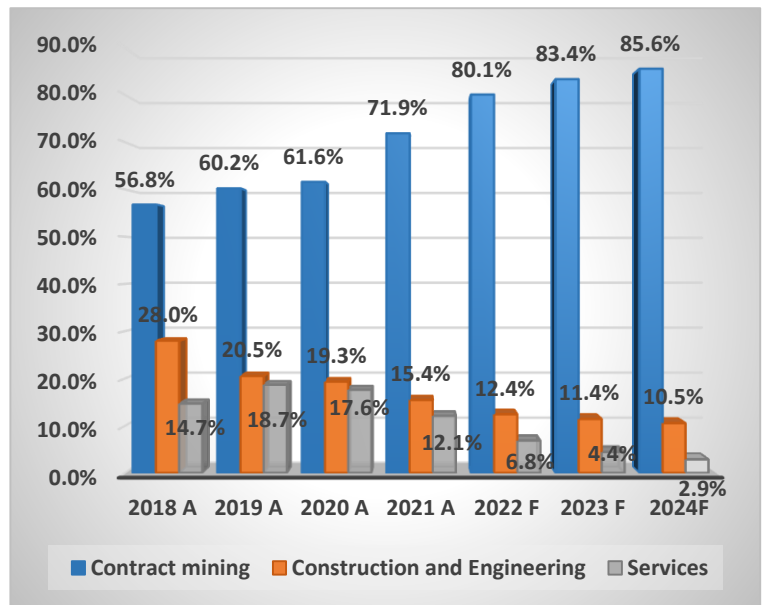


Chart: PTRO's Backlog contract YoY

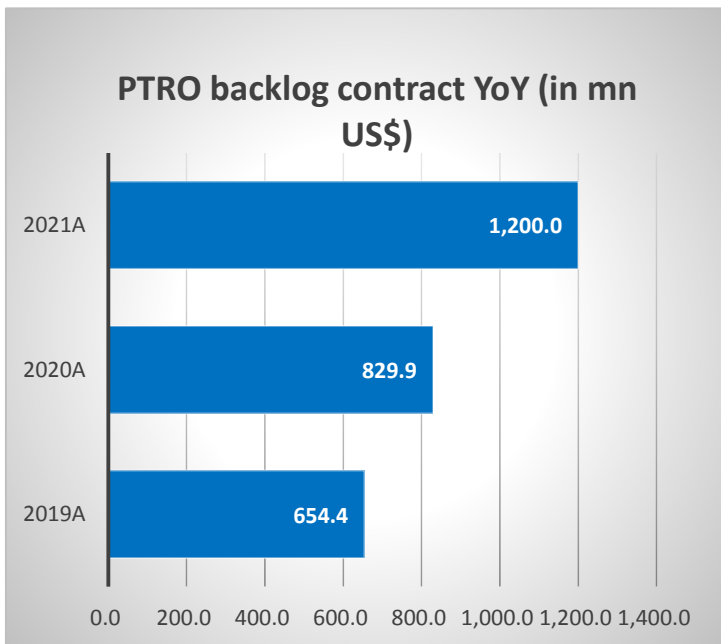
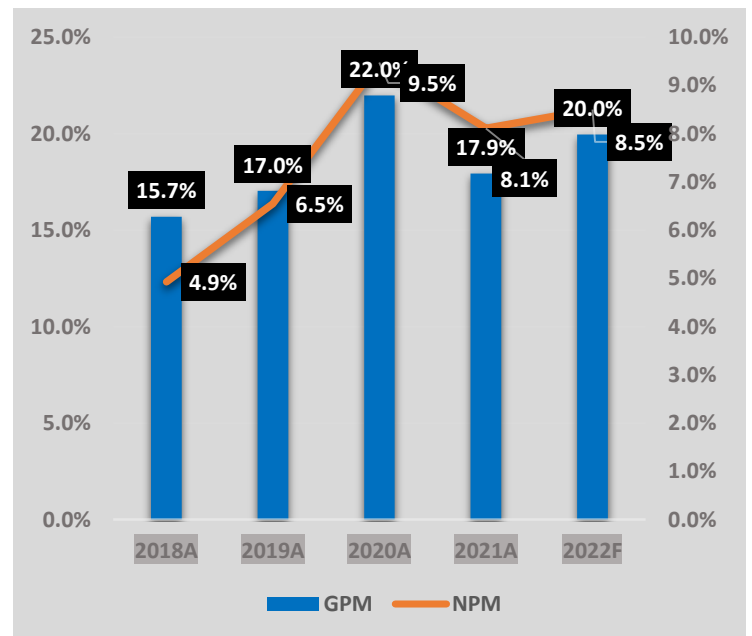


Chart: GPM and NPM YoY



Profit and Loss

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Balance Sheets

Balance sheet (US\$.mn)	2018A	2019A	2020A	2021A	2022F	2023F	2024F
Cash and cash equivalent	68.17	84.68	133.95	89.33	114.22	163.41	182.11
Trade Account Receivable	124.21	105.71	75.98	89.90	114.42	125.60	137.42
inventory	9.04	6.58	4.22	9.08	9.16	10.05	12.37
Other current asset	48.76	25.09	7.87	43.50	41.76	45.85	50.16
Current Asset	250.17	222.06	222.01	231.80	279.56	344.92	382.06
Net Fixed Asset other long term asset	298.46	312.54	231.40	229.16	263.53	275.98	317.38
	6.96	16.44	76.27	71.78	78.31	85.96	94.04
Non current Asset	305.42	328.98	307.67	300.94	341.84	361.94	411.42
Total Asset	555.59	551.04	529.69	532.74	621.40	706.86	793.48
Trade payable	93.00	60.49	35.27	67.83	71.51	78.50	85.88
Short Term bank loans	0.00	0.00	20.04	0.00	0.00	0.00	0.00
Current maturity of long term loan	21.66	42.80	58.58	63.97	73.09	80.23	87.77
Other Current liabilities	33.21	43.04	21.69	35.58	36.54	40.12	43.89
Current liabilities	147.86	146.34	135.58	167.38	181.14	198.85	217.55
Long term loans lease Liabilities	172.20	125.57	94.32	50.98	62.65	68.77	75.23
Other Long term liabilities	8.24	25.68	28.95	20.87	31.32	34.38	37.62
	36.16	40.89	39.40	33.28	41.76	51.58	56.43
Non current liabilities	216.60	192.14	162.67	105.13	135.73	154.73	169.28
Total Liabilities	364.46	338.48	298.25	272.51	316.88	353.58	386.82
Total Equities	191.13	212.56	231.44	260.22	304.52	353.28	406.66
Total Liabilities and equity	555.59	551.04	529.69	532.74	621.40	706.86	793.48

Cash Flow

Cash Flow (USD.in mn))	2019A	2020A	2021A	2022F	2023F	2024F
+ Net Income	31.18	32.28	33.71	44.37	48.71	53.29
+Depreciation	69.13	46.18	52.19	60.20	69.23	79.61
- Change in WC	43.10	38.55	(22.61)	(9.10)	1.54	0.26
Cash From Operating Activities	143.40	117.01	63.30	95.47	119.48	133.15
capex	(92.69)	(24.87)	(45.45)	(101.10)	(89.33)	(129.09)
cash from investing activities	(92.69)	(24.87)	(45.45)	(101.10)	(89.33)	(129.09)
Long term loans	(46.62)	(31.25)	(43.35)	11.67	6.12	6.47
lease Liabilities	17.44	3.27	(8.07)	10.45	3.06	3.23
Other Long term liabilities	4.73	(1.50)	(6.12)	8.48	9.81	4.85
equity	(9.74)	(13.40)	(4.93)	(0.07)	0.05	0.09
cash from financing activities	(34.20)	(42.88)	(62.47)	30.53	19.04	14.64
Net Changes in Cash	16.52	49.26	(44.62)	24.90	49.19	18.70
Beginning Balance	68.17	84.68	133.95	89.33	114.22	163.41
Ending balance	84.68	133.95	89.33	114.22	163.41	182.11

Financial Ratio Highlights

Ratio Highlights	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Growth (% YoY)						
Sales	2.30%	-28.49%	22.03%	25.57%	9.77%	9.40%
OP	9.40%	-16.51%	-6.15%	39.42%	9.77%	9.40%
EBITDA	11.93%	-25.93%	10.05%	17.02%	12.45%	12.33%
NP	35.79%	3.54%	4.45%	31.61%	9.77%	9.40%
EPS	35.79%	3.54%	4.45%	31.61%	9.77%	9.40%
Profitability						
Operating Margin(%)	11.99%	14.00%	10.77%	11.95%	11.95%	11.95%
EBITDA margin(%)	25.91%	26.84%	24.21%	22.56%	23.11%	23.72%
NET Profit margin(%)	6.54%	9.47%	8.11%	8.50%	8.50%	8.50%
ROA(%)	5.66%	6.09%	6.33%	7.14%	6.89%	6.72%
ROE(%)	14.67%	13.95%	12.96%	14.57%	13.79%	13.10%
Stability						
Total debt/ equity (X)	1.59	1.29	1.05	1.04	1.00	0.95
Current ratio (X)	1.52	1.64	1.38	1.54	1.73	1.76
Int. Coverage (x)	2.95	3.65	7.41	6.54	6.54	6.54
Per Share data (USD)						
EPS	0.03	0.03	0.03	0.04	0.05	0.05
BVS	0.21	0.23	0.26	0.30	0.35	0.40
EBITDA/share	0.12	0.09	0.10	0.12	0.13	0.15

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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