

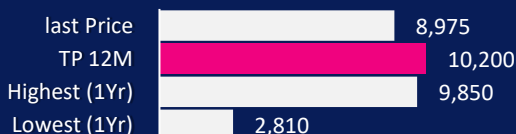
COMPANY RESEARCH
Equity Update
Trading Buy

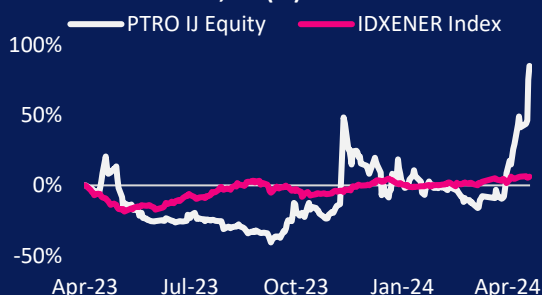
 Fair value IDR 10,200
 vs. Last Price +13.6%

Stock Data

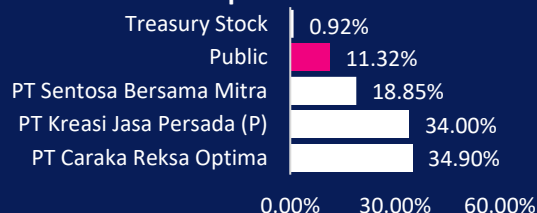
 Ticker Code PTRO
 Sub-Sector Oil, Gas & Coal
 Sector Energy
 Index ISSI

 Market Cap (IDR.Tn) 9.05
 Shares Issued (Bn) 0.99

Price (UDR)

Revenue 2024F (USD Mn)

Price Performance, 1Y (%)


Source : Indonesia Stock Exchange

Shareholders Composition

Sukarno Alatas
sukarno@kiwoom.co.id
PT Petrosea Tbk (PTRO)
Cost Challenges Suppress Profit, Long-term Outlook Remains Positive

Surge in Cost Pressures PTRO's Profit in the First Quarter. PTRO's revenue in the first quarter of 2024 was USD 156 million or +22% yoy, -2% qoq (Prev. 2023A USD 578 million or +21% yoy). In 3M2024, revenue was contributed from construction and engineering USD 73.9 million or +135% yoy & +56% qoq, mining USD 65.4 million or 22% yoy & -35% qoq, services USD 10.6 million or -10% yoy & 13% qoq, coal of sales USD 5.7 million or 4% qoq (vs 3M23 nil) and others USD 0.7 million or 12% yoy & -4% qoq. Meanwhile, net profit decreased to USD 0.29 million or -90% yoy, 82% qoq (Prev. 2023A USD 12 million or -70% yoy). The significant decrease in net profit in the first quarter was due to an increase in cost of revenue by 26% yoy & 7% or COGS to revenue to 90% (vs 3M2023 87%), then an increase in interest expense by 137% yoy or interest expense to revenue to 4% (vs 3M2023 2%).

Short-Term Dip, Long-Term Gain: Mining Boom & CUAN Acquisition Fuel Growth Prospects. In 2023F, we project revenue to be USD 487 million or -15.7% yoy (vs 2025F USD 575 or +18.2% yoy). Meanwhile, net profit is projected to be USD 8 million or -31% yoy (vs 2025F USD 16 million or +96.2% yoy) with a net profit margin ratio of 1.7% (vs 2025F 2.8%). Despite our lower projection this year, going forward the prospects for the mining industry, particularly coal, are still quite good in Indonesia. Coal demand remains high, both domestically and internationally. This could be a positive catalyst for PTRO's performance. In addition, following the acquisition of PT Petrindo Jaya Kreasi Tbk (CUAN), PTRO is expected to benefit from operational synergies that will allow PTRO to utilise CUAN's wider resources and network, including access to new mining projects and larger customers.

PTRO has signed new contracts worth 918 million dollars. Mining contracts worth USD 511 million until December 31, 2032 and EPC worth USD 407 million with a value of USD 105 million until August 31, 2024 and USD 302 million until November 25, 2025.

Portfolio Diversification and Enhanced Competitiveness for Significant Growth. With this comprehensive strategy, PTRO has the potential to achieve significant growth in the future. Project portfolio diversification will reduce business risk and provide new sources of revenue. Improved efficiency and competence of human resources will enhance competitiveness and profitability. Strengthening work safety culture will have a positive impact on the company's reputation.

Recommendation "Trading Buy"

Based on blended valuation (DCF method, PBV & PE) and future opportunities, we maintain PTRO's fair value for 12M target is IDR 10,200 per share. This price reflects a P/E of 78.8x, PBV of 2.67x & EV/EBITDA of 8.08x. Downside risk: Synergy Failure, Commodity Price Fluctuations, Regulatory Changes & Intense Competition

Figure 1. Financial highlight

year-end Dec	2021A	2022A	2023A	2024F	2025F
Revenue (USD Mn)	416	476	578	487	575
Net Profit (USD Mn)	34	41	12	8	16
EPS (Full amount)	0.03	0.04	0.01	0.01	0.02
EBITDA Margin	28%	25%	21%	21%	22%
NPM	8.1%	8.6%	2.1%	1.7%	2.8%
Div. Yield (%)	0.0%	27.4%	0.1%	0.3%	0.6%
ROE	13%	14%	5%	3%	6%
P/E (x)	4.40	6.77	27.64	78.76	40.14
P/BV (x)	0.57	0.93	1.44	2.67	2.56
EV/EBITDA (x)	1.23	2.62	3.84	8.08	6.87

Source: Bloomberg and Kiwoom Research

Financial Reviews (3M2024)

Figure 2. Financial Highlight

	22FY	23FY	yoy	KSI 23F	2023		2024			KSI Forecast	
					Q1	Q4	Q1	yoy	qoq	2024F	% of Est.
Sale of coal from CEP	-	8		-	0	6.0	5.7	N/A	-4%	23	25%
Mining	340	364	7%	371	84	101	65.4	-22%	-35%	323	20%
Const. & engin.	87	163	88%	100	32	48	73.9	135%	56%	113	65%
Services	47	40	-14%	70	12	9	10.6	-10%	13%	40	26%
Others	3	3	-6%	3	1	1	0.7	12%	-4%	2	28%
Revenue	476	578	21%	545	128.2	159	156	22%	-2%	487	32%
Costs of revenue	381	496	30%	436	112	132	141	26%	7%	421	33%
Gross profit	96	82	-14%	109	16.7	27	15	-8%	-43%	66	23%
Operating profit	37	51	37%	69	5.3	5	5	-15%	1%	33	14%
EBITDA	121	123	2%	94	21.7	33	21	-4%	-36%	103	20%
Net income	41	12	-70%	45	3	2	0	-90%	-82%	8	3%
EPS (Full USD)	0.04	0.01	-70%		0.0030	0.0016	0.0002	-93%	-88%	0.01	2.4%
Liabilities	298	492	65%	421	381	492	476			530	
Equity	298	236	-21%	337	303	236	235			247	
Total Asset	596	728	22%	758	684	728	711			777	
<i>GPM %</i>	20%	14%		20%	13%	17%	10%			14%	
<i>OPM %</i>	8%	9%		13%	4%	3%	3%			7%	
<i>Ebitda Margin %</i>	25%	21%		17%	17%	20%	13%			21%	
<i>NPM %</i>	9%	2%		8%	2%	1%	0.19%			2%	
<i>ROE (%)</i>	14%	5%		13%						3%	
<i>ROA (%)</i>	7%	2%		6%						1%	
Interest Coverage (x)	19.5x	6.5x								5.5x	
<i>DER (x)</i>	1.0x	2.1x								2.1x	
<i>DAR (x)</i>	0.5x	0.7x								0.7x	

Source: PTRO and Kiwoom Research

Figure 3. Operational Highlight

	22FY	23FY	yoy	1st23	4th23	1st24	yoy	qoq
Coal Production (Mt)	19.2	17.1	-11%	3.90	4.40	3.76	-4%	-15%
OB Removal (Mbcm)	124.1	130.6	5%	28.45	33.96	26.18	-8%	-23%
Stripping Ratio (x)	6.5	7.7	18%	7.3	7.7	7.0	-5%	-10%

Source: PTRO and Kiwoom Research

Financial Exhibits

Company profile

PTRO is a multidisciplinary company engaged in the contract mining, engineering, procurement & construction and oil & gas services company with a track record of achievement in Indonesia for over 49 years.

Summary of assumptions

1. In 2024F, revenue target to US\$ 487 Mn or -15.7% YoY.
2. In 2024F, overburden removal in 2023F reached 127 Mbcm or -3% YoY.
3. Cost efficiency again increases the profitability ratio
4. CAPEX allocation for 2024F at ± 85 - 100 million USD
5. Business diversification has the potential to improve performance

Key Risks

1. Climate risks that can hamper the company's production targets
2. Risk of uncertainty regarding future mining-related regulations
3. Big clients do not renew the contract after the period ends.

Business Development

1. Maintain the Company's organic growth by obtaining new contracts and looking at every opportunity that exists
2. Expand focus minerals like Nickel, Gold & Copper
3. Explore new geographies with refined business and delivery models with tech-based value propositions
4. Preferred growth partner by synergizing with other stakeholders within the shareholders group.

Sustainability Strategy

Continue to strengthen the culture of good corporate governance as well as safety & health through implementing zero targets and operational excellence as well as carrying out various Company ESG initiative programs.

Note: As the stock gain has been very significant, it is expected that investors still conduct strict risk management to mitigate the decline in anticipation of profit taking or other unknown negative factors in the market.

Figure 10. Financial Statement (US\$ Mn)

Income Statement	2022A	2023A	2024F	2025F
Revenue	476	578	487	575
Costs of revenue	381	496	421	483
Gross profit	96	82	66	92
Operating profit	37	51	33	53
EBITDA	121	123	103	125
Income before tax	50	17	11	21
Tax expenses	9	4	2	5
Minority interests	0.2	0.2	0.2	0.2
Net income	41	12	8	16
EPS (Full amount)	0.04	0.01	0.01	0.02
Balance Sheet	2022A	2023A	2024F	2025F
Cash and equivalents	62	76	84	66
Account receivables	107	150	153	192
Inventories	19	19	70	81
Fixed assets	267	268	251	245
Other assets	142	214	218	258
Total assets	596	728	777	841
S-T liabilities	56	48	84	88
Other S-T liabilities	166	224	215	255
L-T liabilities	44	164	172	179
Other L-T liabilities	32	57	59	62
Total liabilities	298	492	530	583
Equity	298	236	247	258
BVPS (Full amount)	0.30	0.24	0.25	0.26
Cash Flow	2022A	2023A	2024F	2025F
Net Income	41	12	8	16
Depreciation	65	72	70	72
Change in W/C	(104)	(78)	(106)	(107)
CFO	1	6	(28)	(19)
Capex	(54)	(62)	(52)	(66)
Others	(39)	(72)	(3)	(27)
CFI	(38)	(73)	14	(21)
Dividend paid	76	0	2	4
Net change in debt	(28)	119	8	8
Others	(39)	(38)	12	10
CFF	9	81	22	21
Foreign Exc. Rates	-	-	-	-
Change in cash	(28)	14	9	(18)
Beginning	89	62	76	84
Ending cash flow	62	76	84	66
Key Ratios	2022A	2023A	2024F	2025F
Gross margin (%)	20%	14%	14%	16%
EBITDA margin (%)	25%	21%	21%	22%
Pretax margin (%)	11%	3%	2%	4%
Net margin (%)	8.6%	2.1%	1.7%	2.8%
ROE (%)	14%	5%	3%	6%
Current ratio (x)	1.16	1.27	1.24	1.29
Gearing (%)	34%	90%	104%	104%
Net gearing (%)	100%	209%	215%	226%
AR turnover (days)	82	95	115	122
ITO (days)	18	14	61	61
AP turnover (days)	193	145	201	185

Source: PTRO & Kiwoom Research

Kiwoom Sekuritas Guide to Sector/Industry/Stock Ratings

Sector/Industry

OVERWEIGHT	: Sector & Industry Outlook has potential and good condition
NEUTRAL	: Sector & Industry Outlook Stable or tend to be stagnant
UNDERWEIGHT	: Sector & Industry Outlook has challenges and bad condition

Stock

BUY	: Stock Performance > +15%	Over the next 12 month (excluding dividend) Minor to Medium Term
TRADING BUY	: Stock Performance, range between +5% to +15%	Over the next 12 month (excluding dividend) Minor to Medium Term
HOLD	: Stock Performance, range between -10% to +15%	Over the next 12 month (excluding dividend) Minor to Medium Term
SELL	: Stock Performance > -15%	Over the next 12 month (excluding dividend) Minor to Medium Term
TRADING SELL	: Stock Performance, range between -5% to -15%	Over the next 12 month (excluding dividend) Minor to Medium Term
NOTE RATE	: Stock is not within regular research coverage	Over the next 12 month (excluding dividend)



OTHER DISCLOSURES

All Kiwoom's research reports made available to clients are simultaneously available on our own website <http://www.kiwoom.co.id/>. Not all research content is redistributed, e-mailed or made available to third-party aggregators. For all research reports available on a particular stock, please contact your sales representative. Any data discrepancies in this report could be the result of different calculations and/or adjustments.

DISCLAIMER This report has been prepared and issued by PT Kiwoom Sekuritas. Information has been obtained from sources believed to be reliable but PT Kiwoom Sekuritas do not warrant its completeness or accuracy. Forward-looking information or statements in this report contain information that is based on forecast of future results, estimates of amounts not yet determinable, assumptions, and therefore involve known and unknown risks and uncertainties which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

To the fullest extent allowed by law, PT Kiwoom Sekuritas shall not be liable for any direct, indirect or consequential losses, loss of profits, damages, costs or expenses incurred or suffered by any person or organization arising from reliance on or use of any information contained on this report. The information that we provide should not be construed in any manner whatsoever as, personalized advice.

No mention of a particular security in this report constitutes a recommendation to buy, sell or hold that or any security, or that any particular security, portfolio of securities, transaction or investment strategy is suitable for any specific person. This report is being supplied to you solely for your information and may not be reproduced by, further distributed to or published