



COMPANY RESEARCH

Equity Update

Hold

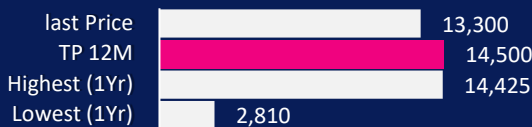
 Fair value IDR 14,500
 vs. Last Price +9%

Stock Data

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

 Market Cap (IDR. Tn) 13.2
 Shares Issued (Bn) 0.99

Price (UDR)



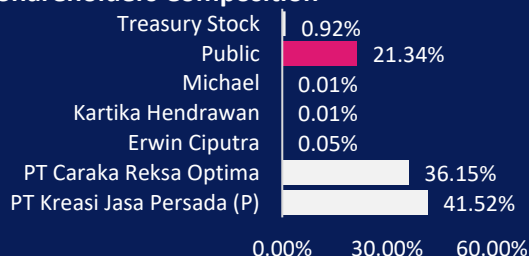
Revenue 2024F (USD Mn)



Price Performance, YTD (%)



Shareholders Composition


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PT Petrosea Tbk (PTRO)

Strong Revenue Growth for PTRO, Despite Profit Dip

Mixed Results for PTRO in First Half of 2024: Revenue Up, Profits Down. PTRO's revenue in the second quarter of 2024 was USD 162 million or +11% yoy, +4% qoq or 6M24 posted USD 318 million or +16% yoy. In 6M24, revenue was contributed from mining USD 141 million or -22% yoy, construction and engineering USD 131 million or +82% yoy, coal of sales USD 26 million or 252% qoq (vs 6M23 nil), services USD 19 million or -12% yoy and others USD 1 million or 2% yoy. Meanwhile, net profit decreased to USD 1.4 million or -87% yoy, 314% qoq (Prev. 3M24 USD 0.3 Mn). The significant decrease in net profit in the first half was due to an increase in cost of revenue by 19% yoy or COGS to revenue to 87% (vs 6M23 85%), then an increase in interest expense by 86% yoy or interest expense to revenue to 4% (vs 6M23 3%).

In 2024F, we revised our revenue projection to USD 636 +10% yoy (Prev Fcst. USD 487 million (vs 2025F USD 604 or -4.9% yoy). Meanwhile, net profit is projected at USD 11 million or -10% yoy (Prev Fcst USD 8 million) (vs 2025F USD 17 million or +57% yoy) with a net profit margin ratio of 1.7% (vs 2025F 2.8%). Despite our lower projection this year, going forward the outlook for the mining industry, particularly coal, is still quite favourable in Indonesia. The acquisition of large contracts in the long run is positive 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 Secures Jumbo Contract, Business Expansion Gets More Aggressive. On 30 July, PTRO signed a contractor and vendor management term sheet with PT Bumi Barito Mineral (BBM). Then on 9 August, PTRO announced the acquisition of a mining services contract with PT Pasir Bara Prima (PBP) with an estimated value of approximately IDR 17.4 trillion. This has a positive impact on business continuity and improves the company's financial and operational performance in the long term.

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 "HOLD"

Based on blended valuation (DCF method, PBV & PE) and future opportunities, we upgrade PTRO's fair value for 12M target is IDR 14,500 per share (from IDR 11,200). This price reflects a P/E of 85.4x, PBV of 3.75x & EV/EBITDA of 8.68x. 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	636	604
Net Profit (USD Mn)	34	41	12	11	17
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%	0.5%
ROE	13%	14%	5%	4%	7%
P/E (x)	4.40	6.77	27.64	85.38	54.11
P/BV (x)	0.57	0.93	1.44	3.75	3.58
EV/EBITDA (x)	1.23	2.62	3.84	8.68	8.66

Source: Bloomberg and Kiwoom Research

Financial Reviews (6M2024)

Figure 2. Financial Highlight

	6M23	6M24	yoy	2023	2024	2024			KSI Forecast	
				Q2	Q1	Q2	yoy	qoq	2024F	% of Est.
Sale of coal	-	26		0.0	5.7	20.2	N/A	252%	52	50%
Mining	179	141	-21%	95	65	75.9	-20%	16%	282	50%
Const. & engin.	72	131	82%	40	74	56.7	40%	-23%	261	50%
Services	22	19	-12%	10	11	8.4	-15%	-20%	38	50%
Others	1	1	2%	1	1	0.6	-10%	-16%	2	58%
Revenue	274	318	16%	145.7	156	162	11%	4%	636	50%
Costs of revenue	233	277	19%	122	141	136	12%	-3%	550	50%
Gross profit	41	41	0%	24	15	25	6%	66%	86	47%
Operating profit	17	6	-64%	11.6	5	5	-60%	2%	43	14%
EBITDA	51	43	-16%	29.6	21	23	-21%	12%	134	32%
Net income	11	1.4	-87%	7.9	0.3	1	-85%	314%	11	13%
EPS (Full USD)	0.01	0.00	-87%	0.01	0.00	0.00	-85%	314%	0.01	13%
Liabilities	495	494	0%	495	476	494			599	
Equity	235	242	3%	235	235	242			249	
Total Asset	730	736	1%	730	711	736			848	
<i>GPM %</i>	15%	13%		16%	10%	16%			14%	
<i>OPM %</i>	6%	2%		8%	3%	3%			7%	
<i>Ebitda Margin %</i>	19%	14%		20%	13%	14%			21%	
<i>NPM %</i>	4%	0.4%		5.4%	0%	0.74%			2%	
<i>ROE (%)</i>	9%	1%							4%	
<i>ROA (%)</i>	3%	0%							1%	

Source: PTRO and Kiwoom Research

Valuation Method

We use the blended valuation method. We use the absolute method (DCF) with a weight of 40% and the relative method (PE and PBV) with a weight at 30%. We calculate the fair value of PTRO at 14,500. This price reflects a P/E of 85.4x, PBV of 3.75x & EV/EBITDA of 8.68x.

Figure 3. DCF Valuation Method

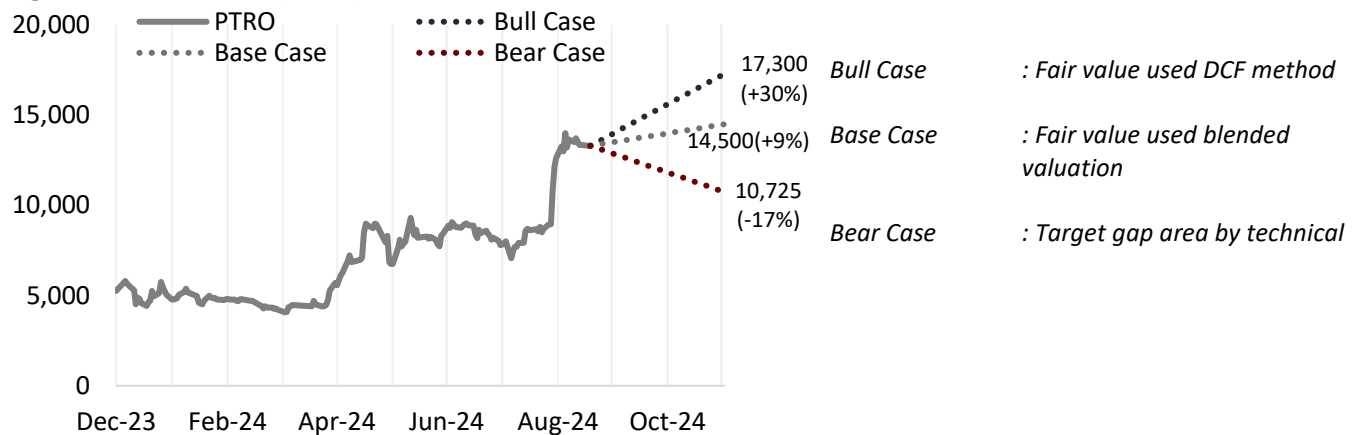
DCF (USD Mn)	2024F	2025F	2026F	2027F	2028F	2029F
EBIT	11	17	23	36	45	50
marginal tax rate	22%	22%	22%	22%	22%	22%
EBIT (1-tax)	9	13	18	28	36	39
+ D & A	91	75	79	87	95	104
- Capex	(68)	(69)	(73)	(80)	(87)	(95)
Chg in working capital	1	38	28	36	49	52
Free Cash Flow	32	58	52	72	92	100
Terminal Value						1,411
Discount Factor	1.00	0.93	0.86	0.80	0.75	0.69
Firm Value	1,305					
Cash	25					
Interest Bearing Debt	258					
Equity Value	1,072					
Share	992					
Fair Value (IDR)	17,300					
Last Price	IDR 13,300					
Potential Upside (%)	30.1%					
		Key Assumption				
		Perpetuity Growth		0.5%		
		Beta		0.23		
		RF		6.95%		
		RP		5.66%		
		Cost of Equity		8.25%		
		Cost of Debt		6.99%		
		WACC		7.61%		

Blended Valuation	Base Amount	Target Multiple	Value (Bn)	Weight (%)	The Value of the firm
PE (Net Income)	11	51.0x	556	30%	167
PBV (Equity)	248	4.5x	1,118	30%	335
DCF	1,072	1x	1,072	40%	429

Total Value (Bn)	931
Share (Mn)	992
Asump. USD	15,500
Target Price (IDR)	14,500
Current Price	13,300
Potential Upside (%)	9.0%

Source: PTRO and Kiwoom Research

Figure 4. Risk Reward (1:55x)



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\$ 636 Mn or +10% YoY.
2. In 2024F, overburden removal 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.

PEFINDO has assigned its idA+ rating with stable outlook to PT Petrosea Tbk. The rating reflects Petrosea's strong business position, integrated service, and strong financial profile. The rating is constrained by tight competition in the industry, as well as exposure to the fluctuating commodity prices and environmental risk.

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 5. Financial Statement (US\$ Mn)

Income Statement	2022A	2023A	2024F	2025F
Revenue	476	578	636	604
Costs of revenue	381	496	550	508
Gross profit	96	82	86	97
Operating profit	37	51	43	56
EBITDA	121	123	134	131
Income before tax	50	17	14	22
Tax expenses	9	4	3	5
Minority interests	0.2	0.2	0.2	0.2
Net income	41	12	11	17
EPS (Full amount)	0.04	0.01	0.01	0.02
Balance Sheet	2022A	2023A	2024F	2025F
Cash and equivalents	62	76	25	64
Account receivables	107	150	200	201
Inventories	19	19	92	85
Fixed assets	267	268	246	239
Other assets	142	214	285	271
Total assets	596	728	848	861
S-T liabilities	56	48	85	89
Other S-T liabilities	166	224	281	267
L-T liabilities	44	164	173	181
Other L-T liabilities	32	57	60	63
Total liabilities	298	492	599	600
Equity	298	236	249	261
BVPS (Full amount)	0.30	0.24	0.25	0.26
Cash Flow	2022A	2023A	2024F	2025F
Net Income	41	12	11	17
Depreciation	65	72	91	75
Change in W/C	(104)	(78)	(153)	(92)
CFO	1	6	(51)	0
Capex	(54)	(62)	(68)	(69)
Others	(39)	(72)	(48)	9
CFI	(38)	(73)	(25)	16
Dividend paid	76	0	3	4
Net change in debt	(28)	119	9	8
Others	(39)	(38)	14	10
CFF	9	81	26	23
Foreign Exc. Rates	-	-	-	-
Change in cash	(28)	14	(50)	39
Beginning	89	62	76	25
Ending cash flow	62	76	25	64
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%	4%	7%
Current ratio (x)	1.16	1.27	1.23	1.29
Gearing (%)	34%	90%	104%	104%
Net gearing (%)	100%	209%	240%	230%
AR turnover (days)	82	95	115	122
ITO (days)	18	14	61	61
AP turnover (days)	193	145	162	184

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



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