

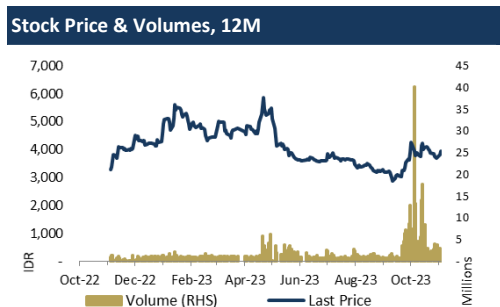
## BUY (Maintain)

**Target Price (IDR)** 4,500  
**Potential Upside (%)** 14.2

Price Comparison	
Cons. Target Price (IDR)	N/A
SSI vs. Cons. (%)	N/A

Stock Information	
Last Price (IDR)	3,940
Shares Issued (Mn)	1,009
Market Cap. (IDR Bn)	3,974
52-Weeks High/Low (IDR)	6,000/2,810
3M Avg. Daily Value (IDR Bn)	14.8
Free Float (%)	18.1
Shareholder Structure:	
PT Caraka Reksa Optima (%)	89.8
Public (%)	8.5
Treasury Stock (%)	1.7

Stock Performance				
(%)	YTD	1M	3M	12M
Absolute	(9.0)	(0.3)	15.5	19.4
JCI Return	3.0	4.4	1.9	0.5
Relative	(12.0)	(4.6)	13.6	18.9



**Company Background**  
 With more than 50 years of experience, PT Petrosea Tbk offers mining, construction and oil and gas logistics services. In addition, PTRO plans to diversify to metal mining (nickel, gold, copper and aluminum [bauxite]).

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## New Owner, New Prosperity

**Updates on the EPC projects.** PTRO is still working on 8 EPC projects, mostly from PT Freeport Indonesia, with a total contract value of USD 518 million. By the end of Oct-23, PTRO had pocketed a turnover of USD 219 million (42.3% of the total contract value) from these projects, and there is still around USD 299 million dollars left to be recorded until the end of 2026F. We believe these projects will give a solid foundation for PTRO in the future, as we project the company's EPC revenue to reach USD 130 million (+50.0% YoY) in 2023F and USD 137 million (+5.0% YoY) in 2024F.

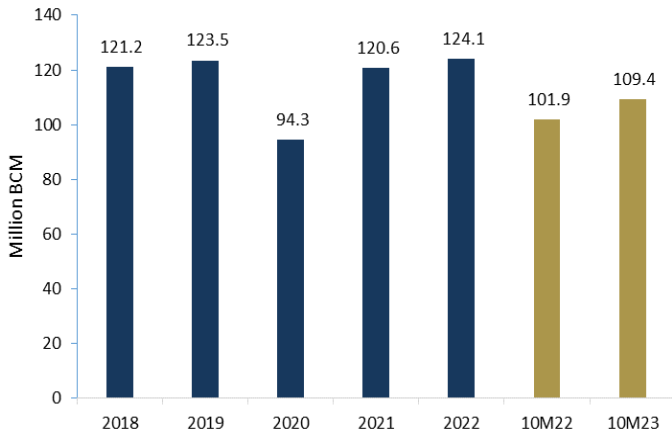
**New projects from new owner.** PT Petrindo Jaya Kreasi Tbk (CUAN) plans to acquire 34% of PTRO shares through its subsidiary PT Kreasi Jaya Persada (KJP). KJP signed a conditional share purchase agreement on November 7, 2023 with PTRO's controlling shareholder, PT Caraka Reksa Optima (CRO). KJP plans to take over 342.9 million PTRO shares (34% of issued and paid-up capital). Meanwhile, CUAN management stated that after the transaction is completed, KJP will become PTRO's new controlling shareholder. Based on PTRO's closing price on November 7, 2023 of IDR 4,240 (5.7x FY23F P/E), the transaction value will reach IDR 1.5 trillion. We believe the acquisition will benefit PTRO, mainly due to the potential of new projects from CUAN and Barito Group's ecosystem. Also, there's a possibility of a tender offer from the new owner to minority investors.

**2023F and 2024F outlook.** Despite the drop in ASP as coal prices started to normalize from 2022 levels, PTRO managed to book a better overburden removal volume than last year, reaching 109.4 million BCM by the end of 10M23 (+7.4% YoY) with a higher stripping ratio of 7.8x which may help offset the drop in ASP. Lower coal prices caused miners to reduce production, as reflected by the 10M23 coal production volume that only reached 14.1 million tons (-11.5% YoY). All in all, we still believe that PTRO can post solid numbers in 2023F and 2024F, mainly due to 1) Higher overburden removal volume, 2) new contracts, and 3) the shift in position from just a mere contractor to a mine owner. We project PTRO to book revenues of USD 537 million (+12.8% YoY) in 2023F and USD 566 million (+5.4% YoY) in 2024F.

**BUY, TP IDR 4,500 (5.3x FY24F P/E).** Since the publication of our initiation report (3/30), PTRO's share price has plunged by -25.6%. Even so, we maintain an optimistic view on PTRO, supported by the potential of new contracts from its new owner and its overburden removal volume growth. We reiterate our BUY rating on PTRO with a TP of IDR 4,500, implying 5.3x FY24F P/E (+0.5 SD above its 5-year P/E average). **Risks:** 1) Lower-than-expected volume, 2) Lower-than-expected coal prices.

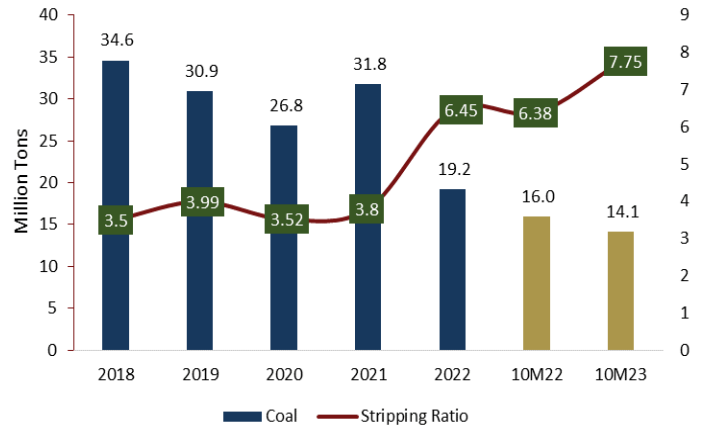
Valuations (at closing price IDR 3,940 per share)					
Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	416	476	537	566	586
EBITDA (IDR Bn)	101	119	134	147	152
EV/EBITDA (x)	3.2	2.2	2.9	2.2	1.7
Net Profit (IDR Bn)	34	41	51	58	63
EPS (IDR)	476	632	741	844	916
EPS Growth (%)	2.2	32.6	17.4	13.8	8.5
P/E Ratio (x)	8.3	6.2	5.3	4.7	4.3
BVPS (IDR)	3,677	4,600	4,007	4,617	5,325
P/BV Ratio (x)	1.1	0.9	1.0	0.9	0.7
DPS (IDR)	113	-	1,111	183	211
Dividend Yield (%)	2.9	-	28.2	4.6	5.4
ROAE (%)	13.0	13.8	18.6	18.4	17.3
ROAA (%)	14.5	15.9	21.6	22.8	20.5
Interest Coverage (x)	8.0	8.2	8.0	13.1	19.3
Net Gearing (x)	17.9	3.0	43.3	17.0	N.C

**Figure 1. Overburden Removal Volume**



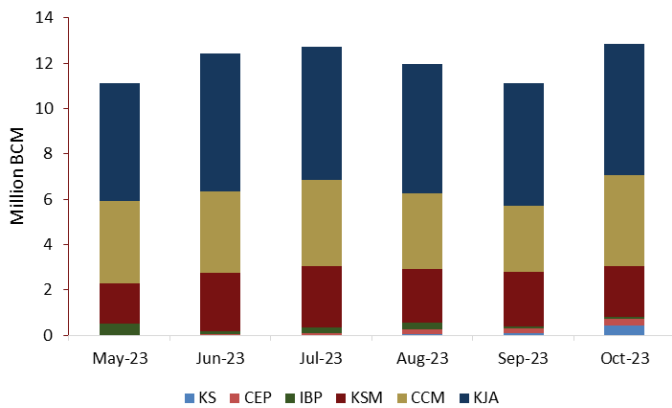
Source: Company, SSI Research

**Figure 2. Coal Production Volume**



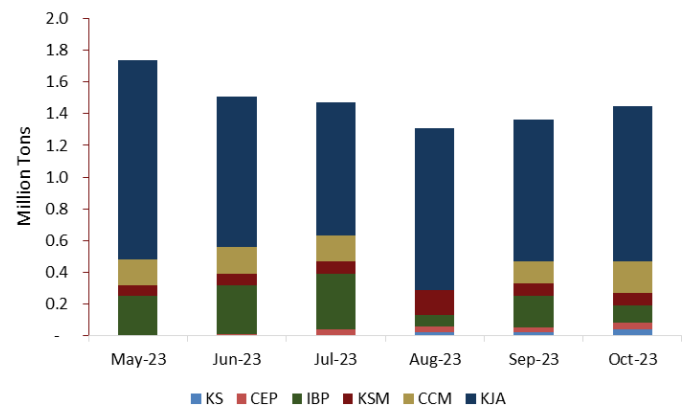
Source: Company, SSI Research

**Figure 3. Overburden Removal Volume by Project**



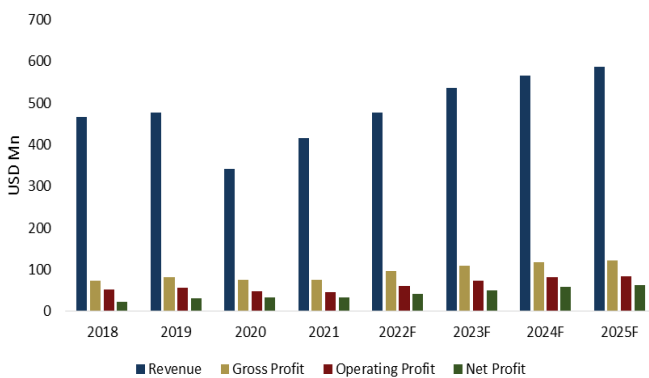
Source: Company, SSI Research

**Figure 4. Coal Production Volume by Project**



Source: Company, SSI Research

**Figure 5. Financial Performance Trajectory**



Source: Company, SSI Research

**Figure 6. P/E Band**



Source: Bloomberg, Company, SSI Research

## Project Updates – EPC

**Figure 7. Levee Construction & Stockpile Project**



- **Location:** Timika, Central Papua
- **Contract Value:** USD 126 million
- **Duration:** 2022 – 2026
- **Progress:** 36% Revenue Recognized

**Figure 8. GBC Pre-Crusher Construction Services Project**



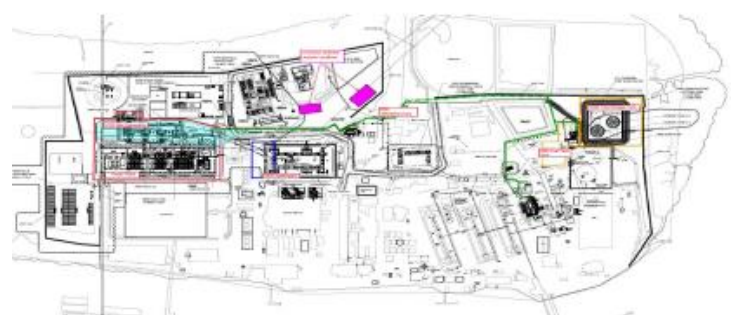
- **Location:** Tembagapura, Central Papua
- **Contract Value:** USD 77 million
- **Duration:** 2021 - 2023
- **Progress:** 93% Revenue Recognized

**Figure 9. Copper Cleaner Circuit Construction Project**



- **Location:** Tembaga Pura, Central Papua
- **Contract Value:** USD 20 million
- **Duration:** 2022 – 2024
- **Progress:** 78% Revenue Recognized

**Figure 10. Warp Around Construction Project**



- **Location:** Timika, Central Papua
- **Contract Value:** USD 8 million
- **Duration:** 2021 - 2023
- **Progress:** 100% Revenue Recognized

**Figure 11. Portsite Corrosion Project**



- **Location:** Timika, Central Papua
- **Contract Value:** USD 9 million
- **Duration:** 2020 - 2023
- **Progress:** 71% Revenue Recognized

**Figure 12. Wanagon Project**



- **Location:** Tembaga Pura, Central Papua
- **Contract Value:** USD 45 million
- **Duration:** 2027 - 2023
- **Progress:** 83% Revenue Recognized

**Figure 13. Manyar Smelter Construction Management**



- **Location:** Gresik, East Java
- **Contract Value:** USD 46 million
- **Duration:** 2022 - 2024
- **Progress:** 23% Revenue Recognized

Source: Company, SSI Research

**Figure 14. EPC Construction & Project Management Project**



- **Location:** Luwu, South Sulawesi
- **Contract Value:** USD 187 million
- **Duration:** 2022 - 2025
- **Progress:** 13% Revenue Recognized

## Key Financial Figures

Profit and Loss					
Y/E Dec (USD Mn)	21A	22F	23F	24F	25F
Revenue	416	476	537	566	586
Cost of Revenue	(341)	(381)	(428)	(449)	(464)
Gross Profit	75	95	109	117	122
Operating Expense	(30)	(35)	(35)	(36)	(37)
G&A Expense	(30)	(35)	(35)	(36)	(37)
Selling & Marketing Expense	-	-	-	-	-
Other Income (Expense)	-	-	-	-	-
Operating Profit	45	61	74	81	85
EBITDA	101	119	134	147	152
Interest Income	2	1	2	1	1
Interest Expense	(6)	(7)	(9)	(6)	(4)
Gain (Loss) on Disposal	-	-	-	-	-
Other Income (Expense)	(0)	(4)	(4)	(4)	(4)
Pre-tax Profit	41	50	62	71	77
Taxes	(7)	(9)	(11)	(13)	(14)
Minority Interest	(0)	(0)	(0)	(0)	(0)
Net Profit	34	41	51	58	63

Balance Sheet					
Y/E Dec (USD Mn)	21A	22F	23F	24F	25F
Cash	89	62	35	49	97
Receivables	92	123	125	132	137
Inventory	9	19	19	20	20
Others	41	55	55	55	55
Total Current Asset	232	258	234	255	308
Net Fixed Asset	229	233	255	229	199
Other Assets	72	106	111	116	122
Total Asset	533	596	599	601	630
Payables	69	120	114	119	123
ST. Debt and CMLTD	64	26	57	49	38
Other Current Liabilities	34	76	27	27	27
Current Liability	167	222	197	195	188
LT. Debt	72	44	96	55	42
Other LT. Liabilities	33	32	32	32	32
Total Liability	273	298	326	282	262
Minority Interest	1	1	1	1	2
Total Equity	260	298	273	319	368

Cash Flow					
Y/E Dec (USD Mn)	21A	22F	23F	24F	25F
Net Profit	34	41	51	58	63
D&A	50	18	60	66	67
Changes in Working Capital	(21)	(17)	(3)	-	-
Operating CF	76	53	99	122	129
Capital Expenditure	(56)	(21)	(87)	(46)	(44)
Others	12	(35)	-	-	-
Investing CF	(44)	(56)	(87)	(46)	(44)
Dividend Paid	(8)	-	(76)	(13)	(15)
Net Borrowing	(66)	(20)	37	(50)	(23)
Others	(3)	(4)	0	0	0
Financing CF	(77)	(24)	(38)	(62)	(38)
Net - Cash flow	(45)	(28)	(27)	14	48
Adjustment	-	-	-	-	-
Cash at Beginning	134	89	62	35	49
Cash at Ending	89	62	35	49	97

Key Ratios					
Y/E Dec	21A	22F	23F	24F	25F
Gross Profit Margin (%)	17.9	20.0	20.3	20.7	20.8
Operating Margin (%)	10.8	12.8	13.7	14.3	14.4
Pretax Margin (%)	9.9	10.5	11.5	12.6	13.2
Net Profit Margin (%)	8.1	8.6	9.4	10.3	10.8
Revenue Growth (%)	22.0	14.6	12.7	5.4	3.6
EBITDA Margin (%)	24.4	24.9	24.9	26.0	25.9
EBITDA Growth (%)	6.1	17.1	13.0	9.8	3.2
Debt to Equity (x)	0.5	0.2	0.6	0.3	0.2

Key Assumption					
Y/E Dec	21A	22F	23F	24F	25F
ASP OB Growth (%)	11.3	10.6	(1.0)	1.0	1.0
Stripping Ratio	3.8	6.5	7.7	7.2	6.8

## Table 2. Peers Comparison

Company Ticker	Country	Company Ticker	Market Cap (USD Mn)	PER (x)		EV/EBITDA (x)		PBV (x)		ROE (%)	
				2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
PATTERSON-UTI	US	PTEN US	4,995	9.3	6.5	3.7	3.4	1.0	0.8	15.4	18.8
HELMERICH & PAYN	US	HP US	3,739	10.9	10.0	4.6	4.3	1.3	1.2	11.3	12.3
NABORS INDS LTD	US	NBR US	882	N/A	24.1	4.5	4.2	2.5	1.7	-11.5	14.2
PRECISION DRILL	CA	PD CN	862	6.3	5.3	3.5	3.2	0.8	0.7	13.1	13.6
ENSGN ENERGY SE	CA	ESI CN	287	13.9	5.6	3.5	3.4	0.3	0.3	2.3	5.1
NORAM DRILLING	US	NORAM NO	169	8.1	7.8	3.8	3.5	2.2	2.8	24.7	31.5
CHINA OILFIELD-H	CN	2883 HK	8,082	11.6	9.0	6.9	5.8	0.9	0.8	7.9	9.3
UNITED TRACTORS	ID	UNTR	5,447	5.0	5.2	2.5	2.5	0.9	0.8	19.1	16.4
ABM INVESTAMA TB	ID	ABMM IJ	601	0.0	0.0	3.6	3.8	0.0	0.0	27.2	18.5
<b>Global Weighted Average</b>			<b>25,063</b>	<b>8.7</b>	<b>8.0</b>	<b>4.6</b>	<b>4.1</b>	<b>1.0</b>	<b>0.9</b>	<b>12.3</b>	<b>13.8</b>

Source: Bloomberg, SSI Research (closing price at 27/11/2023)

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