

BUY (Maintain)

Target Price (IDR) 2,200 (from 1,500)

Potential Upside (%) 59.4

Price Comparison

Cons. Target Price (IDR) -

SSI vs. Cons. (%) -

Stock Information

Last Price (IDR) 1,380

Shares Issued (Mn) 4,227

Market Cap. (IDR Bn) 5,833

52-Weeks High/Low (IDR) 1,770/730

3M Avg. Daily Value (IDR Bn) 24.4

Free Float (%) 19.4

Shareholder Structure:

Sentosa Bersama Mitra (%) 32.13

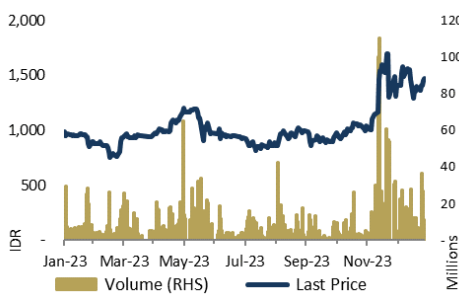
Publik (%) 25.03

Basis Utama Prima 11.54

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	(2.1)	(2.1)	40.8	30.8
JCI Return	(1.9)	(1.9)	5.6	3.5
Relative	(0.3)	(0.3)	35.2	27.4

Stock Price & Volumes, 12M



Company Background

PT Rukun Raharja Tbk (RAJA) is an integrated upstream-to-downstream energy provider which focuses mainly on four pillars; gas infrastructure, gas trading, power plant, and upstream energy business..

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Long Live the King!

Upcoming O&G Projects to Help Secure Solid Earnings Growth Outlook.

Going into FY24F, RAJA is on target to meet our forecasts, supported by three massive initiatives: (1) 8% participating interest of 55,000 mbopd from Jabung block (Figure 9), generating additional USD 2.6 million per annum to EBITDA; (2) First gas-in to the EHK (RAJA's subsidiary)-INKP gas pipeline network (11.7 km, Figure 9) with USD 45 million in annual revenue for the next ten years; (3) 1.8 MMSCFD natural gas compression capacity (expandable to 3 MMSCFD with the addition of new facilities) from a new CNG mother station in Grobogan (Figure 9). It is estimated that the mother station will generate USD 4.5 million per annum for RAJA, with potential annual growth of up to 7% YoY, supported by the potential increase in compression capacity and CNG demand in Central Java and surrounding areas.

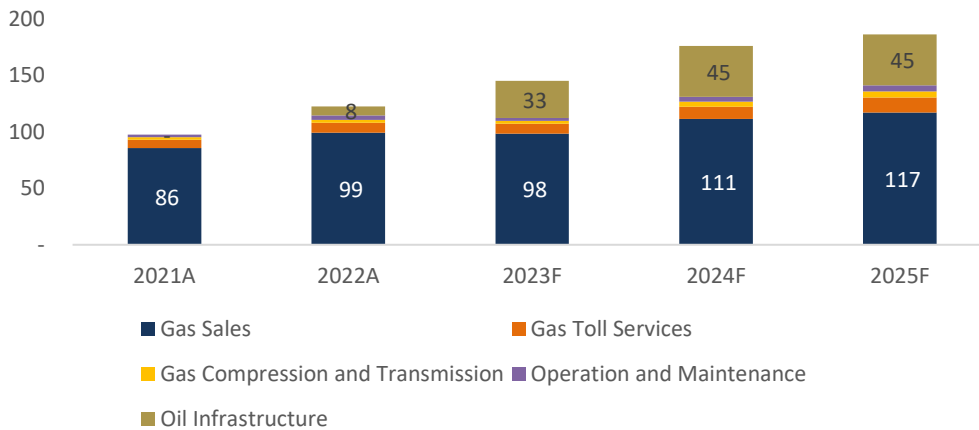
Strong EPS Growth of +47% yoy in FY24. Going forward, with the three O&G projects mentioned above and other projects in the future, we see a robust earnings outlook for RAJA, with revenue forecast of USD 181 million in FY24F (+21% yoy). We also project RAJA to improve its overall EBITDA margin to 45% on the back of greater contribution from upstream businesses (yielding higher margins), boosting its EBITDA to USD 82 million in FY24F (+38% yoy). Regarding its bottom line, we forecast RAJA to book USD 25 million in FY24F, reflecting an EPS growth of +47% yoy. However, with more projects being rolled out, RAJA will have to spend massive amounts of capital, forcing the company to take more loans, which will raise its net gearing ratio, although we believe the impact will remain manageable.

Maintain BUY, Raise TP to IDR 2,200. As we roll over our valuation to FY24F-FY25F, we maintain our BUY rating on RAJA with a higher TP of IDR 2,200 (SOTP-based), implying an FY24F EV/EBITDA of 8.5x. We are confident that RAJA will maintain its growth momentum, backed by its solid management as displayed by the company's rising and above-average ROAE (market: 10.7%). **Downside risks:** Lower-than-expected operating metrics and negative sentiment from lower oil & gas prices.

Forecast and Valuations (@ IDR 1,410 per share)

Y/E Dec	21A	22A	23F	24F	25F
Revenue (IDR Bn)	98	127	150	181	192
EBITDA (IDR Bn)	16	26	59	82	91
EV/EBITDA (x)	30.1	18.3	7.8	5.7	5.0
Net Profit (IDR Bn)	2.3	8.8	16.8	24.6	24.5
EPS (IDR)	8.0	31.6	62.0	90.4	89.7
EPS Growth (%)	62	296	96	46	(1)
P/E Ratio (x)	176.4	44.6	22.7	15.6	15.7
BVPS (IDR)	444	477	549	599	653
P/BV Ratio (x)	3.18	2.95	2.57	2.35	2.16
DPS (IDR)	-	-	16.6	46.1	45.8
Dividend Yield (%)	-	-	1.2	3.3	3.2
ROAE (%)	1.8	6.8	11.9	15.8	14.3
ROAA (%)	1.1	3.5	5.9	7.8	7.2
Interest Coverage (x)	6.3	9.6	8.5	11.2	11.8
Net Gearing (x)	0.3	0.3	0.3	0.2	0.2

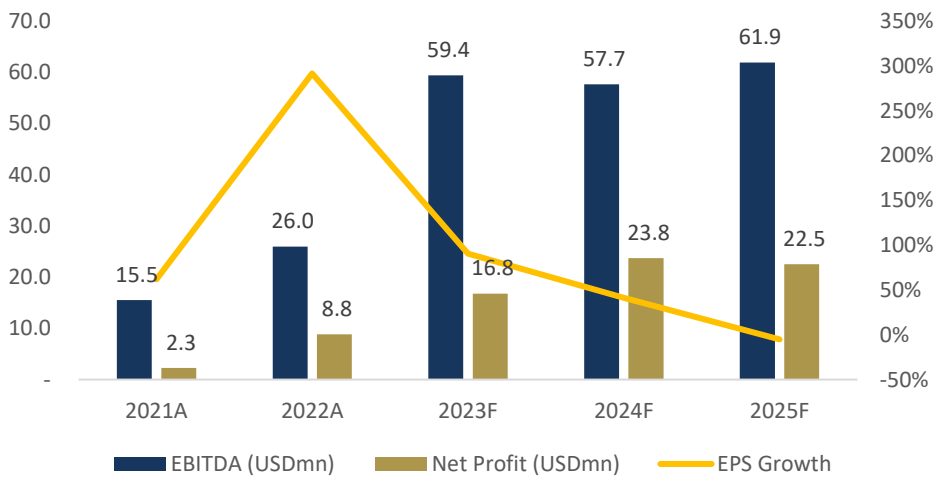
Figure 1. Revenue Breakdown



FY24F revenue of USD 181 million (+21% yoy), with 61% of total revenue coming from gas trading

Source: Company, SSI Research

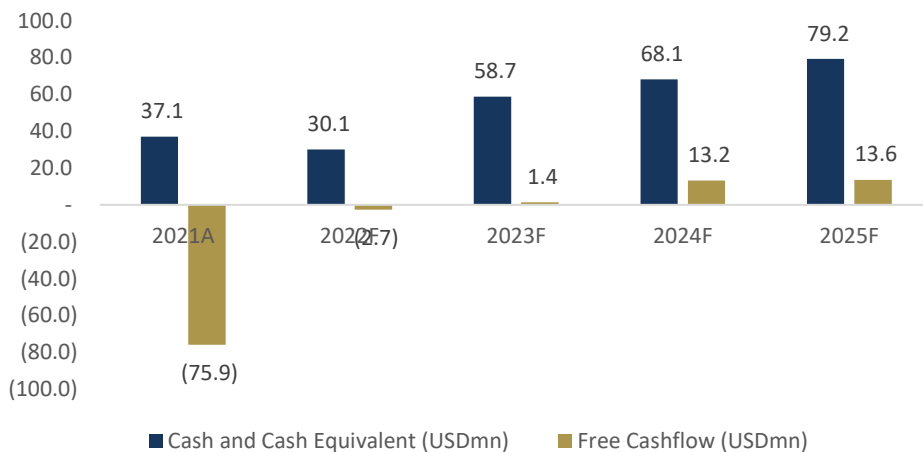
Figure 2. EPS & EBITDA growth forecast



FY24F EBITDA of USD 57.7 million (+38% yoy) and net income of USD 26 million, reflecting EPS growth of +47%

Source: Company, SSI Research

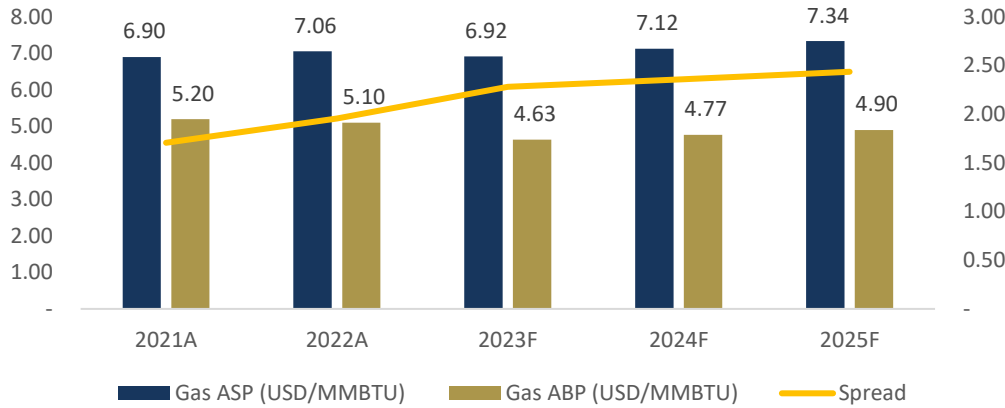
Figure 3. Cash & Free Cashflow



Despite the aggressive growth trajectory, we believe RAJA's positive free cashflow and healthy cash balance will remain unaffected

Source: Company, SSI Research

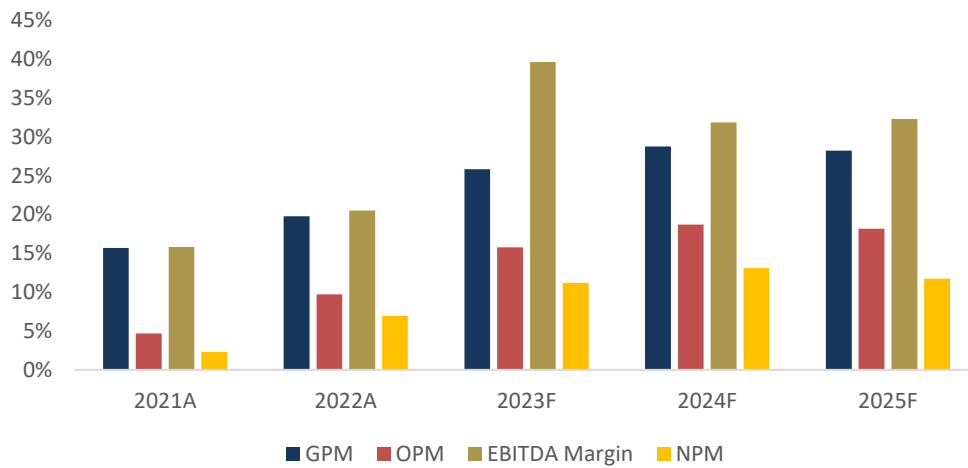
Figure 4. Natural Gas Operating Metrics



Enhancements in production amplification to result in improved gas spread for FY24F reaching USD 2.36 per million British thermal units (mmbtu)

Source: Company, SSI Research

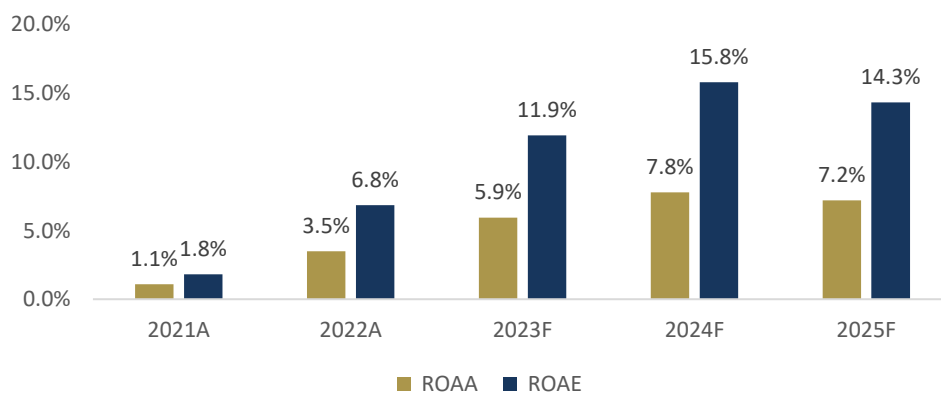
Figure 5. Profitability Margins



Favorable margins are attributable to strategic diversification into upstream projects, with expected FY24F EBITDA margin of 45%

Source: Company, SSI Research

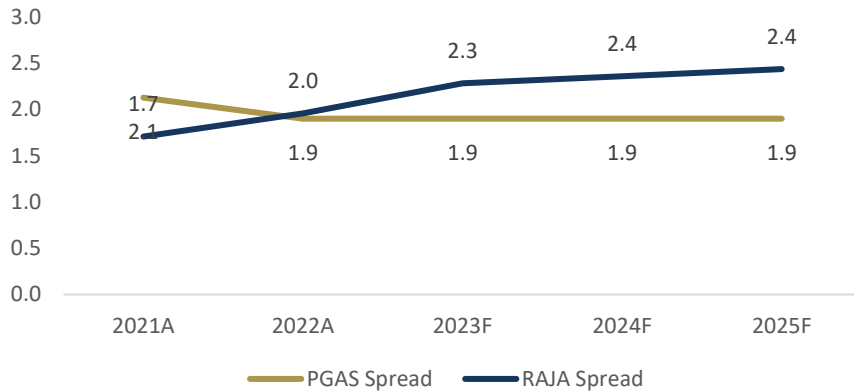
Figure 6. ROAA & ROAE



Projects diversification, coupled with favorable margins and stable capital structure, will yield FY24F ROAA of 7.8% and ROAE of 15.8%

Source: Company, SSI Research

Figure 7. RAJA vs PGAS Gas Spreads



Due to its production amp and efficiency efforts, RAJA will have a higher gas spread than PGAS

Source: Company, SSI Research

Figure 8. Valuation Method

Business	Method	Multiple (x)	2024 EBITDA (USDmn)	Value to RAJA (USDmn)	Notes
Upstream Business	EV/EBITDA	6.6	27	178	In-line with peers
Midstream and Others	EV/EBITDA	9.5	55	521	In-line with peers
Enterprise Value				699	
(-) Debt				(146)	
(+) Cash				68	
(-) Minority Interest				(30)	
Equity Value (USDmn)				590	
Equity Value (IDRbn)				9,206	
Shares Outstanding (bn)				4.2	
Value per Share				2,200	
Implied EV/EBITDA				8.5	

We employ a Sum-of-the-Parts (SOTP) valuation methodology, segregating RAJA's business into upstream and midstream segments; The upstream business is appraised at USD 178 million, while the midstream segment commands a valuation of USD 521 million; Our target price is set at IDR 2,200 per share, with an FY24F EV/EBITDA multiple of 8.5x

Source: Bloomberg, SSI Research

Figure 9. Proyek 2023 RAJA



RAJA's new gas portfolio across Java and Sumatera

Source: SSI Research

Key Financial Figures

Profit and Loss					
Y/E Dec (USDmn)	21A	22A	23F	24F	25F
Revenues	98	127	150	181	192
Cost of goods sold	(83)	(102)	(111)	(129)	(138)
Gross Profit	15	25	39	52	54
SGA Expense	(11)	(13)	(15)	(18)	(19)
Operating Profit	5	12	24	34	35
EBITDA	16	26	59	82	91
Other Expense (Income)	(8)	(10)	(30)	(43)	(51)
Finance Expenses	(2)	(3)	(7)	(7)	(8)
Pre-tax profit	5	13	23	32	32
Income Tax	(1)	(2)	(4)	(5)	(5)
Profit for Period	3	11	19	27	26
Minority Interest	(1)	(2)	(2)	(2)	(2)
Net Profit	2	9	17	25	24

Operating profit doubled in 2023 on the back of Rokan oil project initiation, before rising further to USD 34 million (+41.6% yoy) in 2024 thanks to extended oil & gas projects

Balance Sheet					
Y/E Dec (USDmn)	21A	22A	23F	24F	25F
Cash & equivalents	37	30	59	68	79
Receivables	18	21	25	30	32
Inventories & Others	10	8	8	8	8
Total Current Assets	65	59	91	106	119
Net Fixed Asset	125	143	156	164	174
Other Non-Current Asset	56	59	59	59	59
Total Assets	246	261	306	329	352
ST. Bank loan	1	-	-	-	-
Payables	11	13	15	17	18
Other current Liabilities	8	14	17	18	18
Total Current Liabilities	20	27	31	34	36
LT. Debt	99	99	124	130	136
Other LT Liabilities	2	1	1	1	1
Total Liabilities	120	127	157	165	174
Minority Interest	2	3	4	5	6
Total Equity	125	133	149	163	178

Favorable capital structure provides room and ability to utilize an optimal tax shield

Cash Flow					
Y/E Dec (USDmn)	21A	22A	23F	24F	25F
Net Profit	2	9	17	25	24
D&A	11	8	32	45	53
Changes in Working Capital	(5)	3	(3)	(3)	(1)
Operating Cash Flow	(3)	12	46	66	77
Capital Expenditure	(83)	(26)	(44)	(53)	(64)
Others	11	12	-	-	-
Investing Cash Flow	(72)	(14)	(44)	(53)	(64)
Net - Borrowing	77	4	28	6	7
Other Financing	(3)	(8)	(1)	(10)	(10)
Financing Cash Flow	74	(4)	27	(4)	(2)
Net - Cash Flow	(2)	(7)	29	9	11
Cash at beginning	39	37	30	59	68
Cash at ending	37	30	59	68	79

Capital expenditures are poised to increase ahead as a result of project expansion initiatives; the Capex will be financed by a balanced mix of both debt and internal cashflow

Key Ratios					
Y/E Dec (USDmn)	21A	22A	23F	24F	25F
Gross Profit Margin (%)	15.7	19.8	25.8	28.8	28.2
Operating Margin (%)	4.7	9.7	15.8	18.7	18.2
EBITDA Margin (%)	15.8	20.5	39.7	45.2	47.4
Pre-Tax Margin (%)	4.7	10.3	15.1	17.7	16.6
Net Profit Margin (%)	2.3	7.0	11.2	13.6	12.8
Debt to Equity (x)	0.9	0.8	0.9	0.9	0.9
Net Gearing (x)	0.3	0.3	0.3	0.2	0.2

Favorable margins due to project efficiency efforts and solid gearing ratio

Major Assumption					
	21A	22A	23F	24F	25F
Gas Sales Volume (thousand MMBTL)	12,398	14,067	14,207	15,628	15,940
Gas Toll Service Volume (MMSCF)	18,115	21,734	22,169	26,602	31,923
Gas Compression Volume (MMSCF)	10,070	12,252	12,620	16,406	18,046
Gas Sales Spread (USD/MMBTU)	1.7	2.0	2.3	2.4	2.4
Gas Transport Spread (USD/MMSCF)	0.4	0.3	0.3	0.4	0.4

Gas sales volume to rise to 15.7k mmbtu with gas compression volume of around 16.4 mmscf

Peers Comparison

Ticker	Company	Market Cap (USDmn)	EV (USDmn)	PE (x)		PBV (x)		EV/EBITDA (x)	
				2023F	2024F	2023F	2024F	2023F	2024F
Midstream O&G Average			86,773.9	13.4	12.8	2.2	2.1	10.1	9.5
ENB US	Enbridge Inc	76,096	141,484	17.0	17.2	1.7	1.8	11.4	10.9
EPD US	Enterprise Products Partners LP	58,684	88,330	10.8	10.2	2.1	2.1	9.5	9.1
TRP US	TC Energy Corp	40,192	87,071	12.3	13.0	1.7	1.7	11.3	10.8
KMI US	Kinder Morgan Inc	38,143	71,457	14.1	13.7	1.3	1.3	8.9	8.7
ET US	Energy Transfer LP	46,742	111,285	11.8	9.6	1.4	1.5	8.0	7.4
MPLX US	MPLX LP	37,446	59,193	10.1	9.5	3.0	2.9	9.4	9.2
OKE US	ONEOK Inc	40,417	62,477	12.4	13.6	2.0	2.2	12.0	10.4
PBA US	Pembina Pipeline Corp	18,547	28,369	17.1	14.9	1.9	1.8	9.9	9.3
TRGP US	Targa Resources Corp	18,688	33,720	18.2	14.4	7.0	5.8	9.5	8.7
WES US	Western Midstream Partners LP	10,820	18,530	10.8	8.7	3.7	3.3	8.7	7.7
Upstream O&G Average			1,312,895	13.2	13.6	3.5	3.4	6.5	6.6
ARAMCO AB	Saudi Arabian Oil Co	2,042,153	2,058,505	16.4	17.1	4.9	4.8	7.9	8.0
XOM US	Exxon Mobil Corp	387,874	402,863	10.4	10.8	1.9	1.7	5.6	5.5
CVX US	Chevron Corp	268,985	283,287	10.8	10.9	1.6	1.6	5.6	5.5
SHELL NA	Shell PLC	198,005	240,169	7.6	7.2	1.1	1.0	3.5	3.7
PCCYF US	PetroChina Co Ltd	168,603	227,109	5.0	5.1	0.6	0.5	3.3	3.2
TTE US	TotalEnergies SE	152,599	171,972	6.5	6.9	1.3	1.1	3.7	4.1
GAZP RX	Gazprom PJSC	44,736	-	-	-	-	-	-	-
COP US	ConocoPhillips	128,311	140,472	12.6	12.0	2.7	2.5	5.5	5.4
BP/ LN	BP PLC	97,071	138,734	7.1	6.7	1.3	1.2	3.3	3.4
Domestic O&G Average			2,991	8.2	7.3	1.4	1.3	4.7	4.4
MEDC IJ	Medco Energi Internasional Tbk PT	1,916	4,969	6.3	5.4	1.1	1.1	3.6	3.5
ENRG IJ	Energi Mega Persada Tbk PT	348	369	6.9	5.7	0.6	0.6	1.8	1.9
PGAS IJ	Perusahaan Gas Negara Tbk PT	1,724	3,147	7.1	6.5	0.6	0.6	2.7	2.7
AKRA IJ	AKR Corporindo Tbk PT	2,100	2,033	12.4	11.3	2.7	2.5	8.8	8.0
RAJA IJ	Rukun Raharja Tbk PT	378	515	16.0	15.2	1.9	1.7	6.3	5.8

Source: Bloomberg, SSI Research

RAJA is currently trading at 5.8x EV/EBITDA FY24F, well above its domestic peers but lower than its global and regional peers; However, the premium is well justified due to its long-term growth prospects

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