PT Petrosea Tbk

Navigating Post-Acquisition for Revenue Growth Despite Financial Challenges

Reliance Sekuritas Indonesia

1Q24 Result: Net Profit Decline By 94.49% YoY

In 1Q24, PTRO recorded a revenue of USD 156.25 million (+21.88% YoY). Revenue was largely driven by an increase in EPC segment by 134.32% YoY to USD 73.88 million boosted by a new contract with BP Berau with estimated contract value of USD 302 million. Meanwhile, revenue from contract mining decreased by 22.49% YoY to USD 65,37 million and services -9.89% YoY to USD 10.58 million. From the bottom line, PTRO recorded net profit of USD 163 thousand, plunging by 94.49% YoY. This significant decline in net profit is due to a surge in COGS by 26.44% YoY to USD 140.96 million and an increase in interest rate by 136.89% YoY to USD 5.86 million.

Higher Revenue Growth Boosted By New Contract From EPC Segment

We project PTRO's revenue to grow by 6.45% YoY to USD 614.86 million in FY24F driven by an increasing in contract mining segment by 4.86% YoY to USD 381.85 million and EPC segment by 11.99% YoY to USD 162.86 million. We expect PTRO will book positive top line growth boost by several new projects. As of 1Q24 PTRO has secured a significant contract with BP Berau Ltd with estimated value of USD 302 million, PT Pasir Bara Prima of USD 511 million and PT Global Bara Mandiri of USD 230 million. Furthermore, revenue will boosted by its new revenue stream of sales coal after mine acquisition in 1H23. However, we project that net profit will decline by 57.24% YoY to USD 5.22 million in FY24F, primarily due to rising interest expenses.

PTRO's Growth Boosted by Acquisitions and Synergistic Contracts

In 1Q24, PTRO was been acquired by PT Petrindo Jaya Kreasi Tbk (subsidiaries of CUAN), which now holds an ownership stake of 34%, we expect this acquisition will positively impact PTRO, especially as CUAN continues its future expansion project. Additionally, on June 26, 2024, PTRO secured service contracts with its affiliate companies (PT Petrindo Jaya Kreasi Tbk, PT Daya Bumindo Karunia, and PT Prima Mineral Investindo) with a total value of IDR 1.16 trillion. Leveraging these synergies, we project PTRO's revenue to grow by 32.92% CAGR FY24F-29F.

Buy Rating, Tareget Price IDR 11.075

Our previous TP (IDR 5.025) was already been priced-in by the market, we maintain our BUY rating for PTRO with higher TP of IDR 11.075/shares based on blended valuation (DCF & DDM method) considering PTRO’s future expansion after acquisition. The target price implies a P/E of 134x and PBV of 2.94x for FY24F, currently PTRO is trading at P/E of 107x. Key investment risks: risk of termination of contract, regulatory risk and heavy rainfall.

Key Metrics

At closing price IDR 8,425/share	2022	2023	2024F	2025F	2026F
Revenue (USDmn)	476	578	615	763	883
Gross Profit (USDmn)	95	82	74	92	110
Net Profit (USDmn)	41	12	5	8	13
EBITDA (USDmn)	123	108	96	114	135
Gross Profit Margin (%)	20%	14%	12%	12%	13%
Net Profit Margin (%)	9%	2%	1%	1%	2%
EBITDA Margin (%)	26%	19%	16%	15%	15%
EPS (IDR)	649	194	83	132	211
P/E Ratio (x)	13.0	43.5	101.8	63.9	40.0
BVPS (IDR)	4,727	3,738	3,772	3,883	4,061
P/BV Ratio (x)	1.8	2.3	2.2	2.2	2.1
DER (x)	0.4	1.1	1.0	0.9	0.9
DAR (x)	0.2	0.3	0.3	0.3	0.3
DPS (IDR)	1,205.6	48.4	20.7	33.0	52.7

Net profit refers to net profit attributable to controlling interests

Source: Reli Research

BUY

Target Price: Rp11.075
Upside : 31,45%

Last Price:	8,425
Last Date:	28 June 2024
Ticker Code:	PTRO
Sector:	Energy
Sub Sector:	Oil, Gas and Coal
Shares:	1.008,6mn
Market Cap:	IDR 8,5tn
1Y Low - High:	2.810-9.850

Major Shareholders:

PT Kreasi Jaya Persada	34,00%
PT Caraka Reksa Optima	34,90%
PT Sentosa Bersama Mitra	18,85%
Public	12,25%

Relative performance vs IHSG:

Brief Company Profile:

Established in 1972, Petrosea is a multi-disciplinary contract mining, engineering, procurement & construction and oil & gas services company that is fully committed to prioritize the aspects of ESG as a continuation of the Company’s sustainability strategy. In 2019, Petrosea was selected by the World Economic Forum as the only mining company and the only Indonesian owned company to join the Global Lighthouse Network due to our success in implementing Industry 4.0 technologies.

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Figure 1: Quarterly Results 1Q2024

(USDmn)	1Q2023	2Q2023	3Q2023	4Q2023	1Q2024	QoQ (%)	YoY (%)
Revenue	128.2	145.7	144.9	158.8	156.3	-1.6%	21.9%
Gross Profit	16.7	24.0	14.4	27.0	15.3	-43.4%	-8.5%
Proft Before Tax	3.4	9.1	(0.6)	4.2	0.9	-79.2%	-74.2%
Profit After Tax	3.0	7.9	(0.2)	1.6	0.2	-90.0%	-94.5%

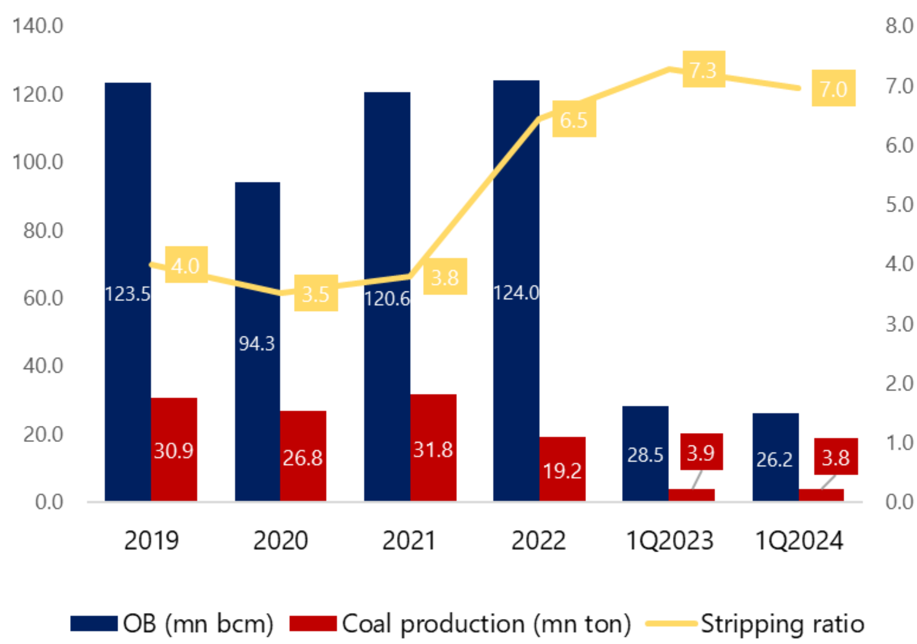
Source: PTRO, Reli Research

Figure 2: 1Q24 Results against our FY2024 forecast

(USDmn)	1Q2023	1Q2024	YoY (%)	FY2024F	1Q24/FY2024F (%)
Revenue	128.2	156.3	21.9%	614.9	25.4%
Gross Profit	16.7	15.3	-8.5%	73.9	20.7%
Proft Before Tax	3.4	0.9	-74.2%	7.1	12.3%
Profit After Tax	3.0	0.2	-94.5%	5.2	3.1%

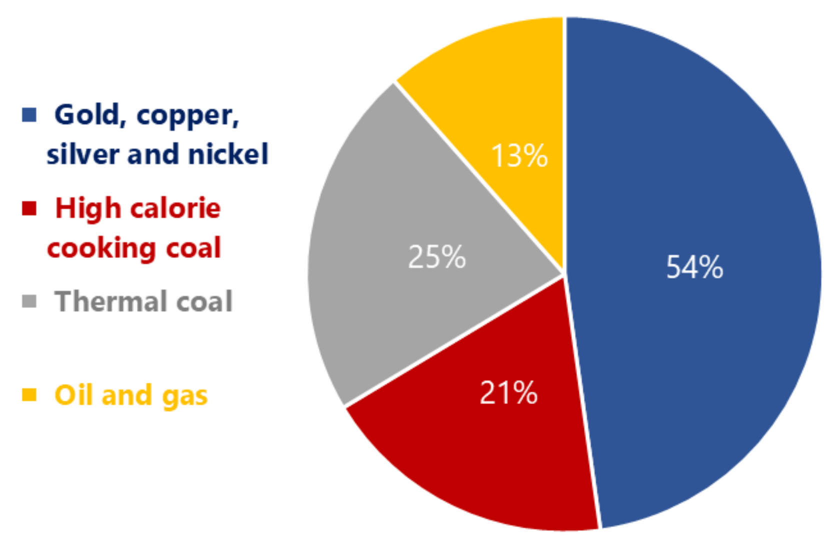
Source: PTRO, Reli Research

Grafik 3: Historical operational



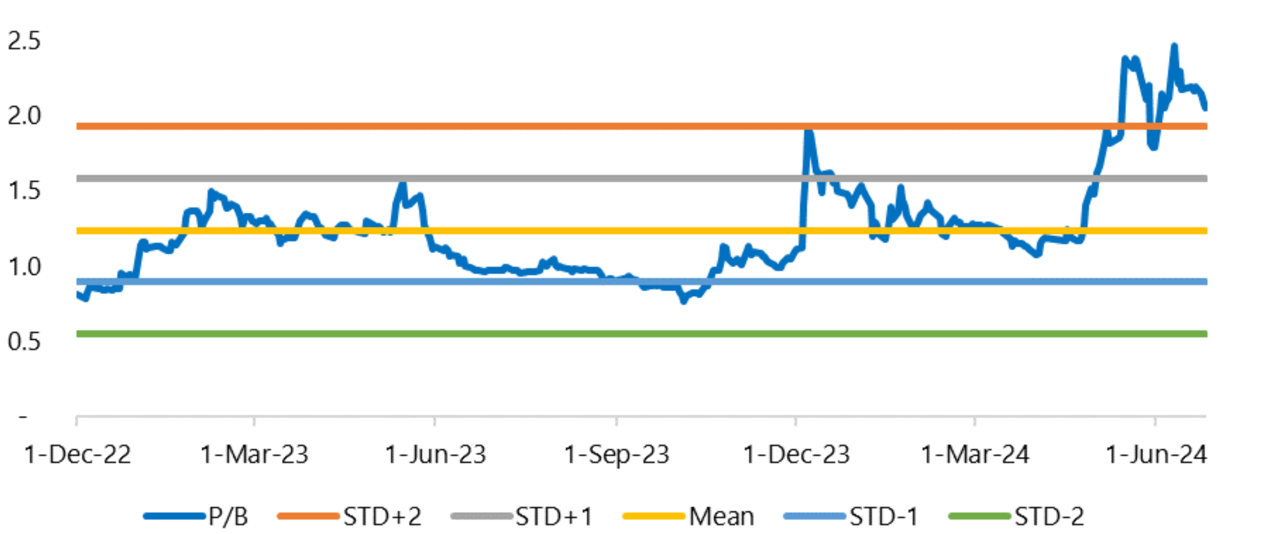
Source: PTRO, Reli Research

Grafik 4: Backlog contribution



Source: PTRO, Reli Research

Figure 5: P/BV Bands



Source: PTRO, Reli Research

Financial summary

Income Statement (USDmn)	2022	2023	2024F	2025F	2026F
REVENUE	**476**	**578**	**615**	**763**	**883**
GROSS PROFIT	**95**	**82**	**74**	**92**	**110**
Operating Expense	31	47	42	49	56
Interest Income (Expense)	(7)	(20)	(20)	(20)	(20)
OPERATIONAL INCOME	**50**	**16**	**7**	**11**	**18**
Income Tax Expense	(9)	(4)	(2)	(3)	(5)
PROFIT BEFORE MINORITY INTEREST	**41**	**12**	**5**	**8**	**14**
Minority Interest	0	0	0	0	0
NET PROFIT	**41**	**12**	**5**	**8**	**13**

Blance Sheet (USDmn)	2022	2023	2024F	2025F	2026F
Cash & Cash Equivalents	62	73	64	46	32
Receivables	123	199	171	199	218
Inventories	19	19	21	26	29
Other current assets	55	24	40	41	42
Fixed Asset - net	233	231	251	266	280
Right of use - net	34	38	38	43	49
Intangible asset - net	27	111	109	111	113
Goodwill	1	20	20	20	20
Other non-current Assets	44	13	13	13	13
TOTAL ASSETS	**596**	**728**	**726**	**765**	**797**
Account Payable	120	141	142	176	203
Taxes payable	5	3	3	4	5
Accrued expenses	19	18	19	24	28
Other current liabilities	6	23	25	25	25
Long term loan - related party	-	-	-	-	-
Long term loan - third party	44	187	178	173	165
Bank loan	45	37	35	34	33
Lease liabilities - current portion	26	26	29	28	27
Employee benefits liability	23	28	28	28	28
Deferred tax liabilities - net	9	29	29	29	29
Other	-	0	0	0	0
Common Stock	22	24	24	24	24
Retained Earning	276	212	214	221	232
TOTAL LIABILITIES AND EQUITIES	**596**	**728**	**726**	**765**	**797**

Cash Flow (USDmn)	2022	2023	2024F	2025F	2026F
Net Income	41	12	5	8	13
Depre & Amort	4	50	68	82	97
Change in Working Cap	11	(57)	28	1	4
Other	(17)	44	(12)	5	4
CFO TOTAL	**39**	**50**	**89**	**96**	**118**
CAPEX	(3)	(135)	(87)	(105)	(120)
Change in other investing	(39)	12	(0)	(0)	(0)
CFI TOTAL	**(42)**	**(124)**	**(87)**	**(105)**	**(120)**
Changes in Debt	(20)	135	(8)	(8)	(10)
Change in other financing	(4)	(50)	(3)	(1)	(2)
CFF TOTAL	**(24)**	**85**	**(11)**	**(9)**	**(12)**
Net Cash Increase (Decrease)	**(28)**	**11**	**(9)**	**(18)**	**(14)**
Cash Beginning	**89**	**62**	**73**	**64**	**46**
Cash Ending Balance	**62**	**73**	**64**	**46**	**32**

Source: PTRO, Reli Research

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Analyst Rating

BUY	: Expected return of 2x Risk Free or more within a 12-month period
NEUTRAL	: Expected return between -1.9x and 1.9x Risk Free
SELL	: Expected return of -2x Risk Free or more within a 12-month period
NON-RATED	: Analysts do not express any trading recommendation