

Kencana Energi Lestari

Powering the Green Future

KEEN at a glance

KEEN, established in 2008, is a renewable energy provider that operates as an Independent Power Producer (IPP) under a Power Purchase Agreement (PPA) with the State Electricity Company (PLN). Currently, KEEN is operating 4 Power Plants (PP) located in ex-Java with a total capacity of 54MW: 2 Hydro PP namely, Pakkat (18MW) and Air Putih (21MW), Ma'dong Mini Hydro PP (10MW) and Tempilang Biomass PP (5MW). The Company is in the process of constructing Ordi Hulu mini hydro PP (10MW) and Tempilang Solar PP (1.3MWp). TEPCO, a subsidiary of Tokyo Electric Power Company Holdings, Inc., entered as a strategic investor and partner in February 2022, acquiring 25% of KEEN's shares at IDR430/share (0.6x PBV, 70% discount to its global peers' average).

Solid project pipeline awaits

KEEN plans to add 500MW to the existing and under construction PP (total capacity of 64MW) with three Hydro PP projects totaling 200MW capacity: Pakkat 2 (35MW), Kalaena (75MW), and Saluro Uro (90MW). As of current, KEEN is awaiting the signing of the PPA with PLN in 2023/2024. According to the company's guidance, the capex required for its 200MW project is USD500mn, assuming a cost of USD2.5mn/MW. Take note that the company intends to fund its upcoming projects with a capital structure that consists of 25-30% equity and 75-80% debt. KEEN confirmed that they have several options to raise its capital, including the right issue, bonds, mezzanine financing, and private placement. Our scenario analysis (Figure 15) shows the potential debt and equity to be raised to fund its 200MW expansion plan, based on a targeted debt-to-equity Ratio (DER) ranging from 0.5x to the Company's DER covenant of 3.0x.

A strong balance sheet allows for more room for growth.

Given its business nature as an IPP, KEEN applies service concession accounting (ISAK 16), in which KEEN recognizes a financial asset (Unbilled Financial Asset from Service Concession Project) as the company has an unconditional right to receive cash from PLN for the construction and maintenance of concession assets (the capacity payment) instead of recognizing the property, plant, and equipment (PPE) that it builds and operates. KEEN recorded 6M22 Unbilled Financial Asset from Service Concession projects of USD277.8mn, representing 90% of the total assets. KEEN's 6M22 gearing and net gearing were 0.5x and 0.5x, respectively, while the net debt to EBITDA ratio is 2.9x. Given that the company shared its maximum DER level of 1.5x (as per management's guidance), we believe KEEN has plenty of room to raise capital (both debt and equity) to support its expansion plans.

Comparison between KEEN and ARKO

KEEN is operating and constructing a total of 64MW PP capacity, 2.3x larger than ARKO's operating and constructing PP capacity (64MW vs 27.4MW), the most comparable peer in Indonesia. Including the other projects that are waiting for the PPA from PLN and the ones that have been set by PLN as a provider, KEEN's total capacity is 3.9x (264MW vs 68.5MW) larger than ARKO's. With its capacity advantage, KEEN produces 2.6x more electricity as compared to ARKO.

Compelling valuation

KEEN is trading at an EV/MW of USD4.7mn/MW and trailing P/B of 1.3x, a 31% and 87% discount respectively to ARKO's EV/MW and trailing P/B multiple. Comparing KEEN with its global (China, India and Japan) and SEA (Thailand and Vietnam) peers, KEEN is trading at a 34% discount to its global peers' average of 2.0x trailing P/B and a 24% discount to its SEA peers' average of 1.7x trailing P/B.

Not Rated

Target Price NA
Current Price IDR810



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Stock Data & Indices

Bloomberg Code	KEEN IJ
JCI Group	IDXINFRA
MSCI Indonesia	No
JII	No
LQ45	No
Kompas 100	No

Key Data

Issued Shares (mn)	3,666.3
Free Float (est)	11.8%
Mkt. Cap (IDRbn)	2,970.0
Mkt. Cap (USDmn)	194.2
ADTV 6 months (IDRbn)	5.3
52 Wk-range	910 / 410

Performance (%)

	YTD	1m	3m	12m
Absolute	81.6	19.1	80.8	94.7
Relative to JCI	80.0	19.4	80.0	80.3

Company Data

Year end Dec	2019	2020	2021	6M21*	6M22*
Revenue (USD'mn)	23.7	25.4	36.5	18.2	20.4
Gross Profit (USD'mn)	10.4	14.2	21.1	11.0	16.2
EBITDA (USD'mn)	8.0	10.7	19.1	9.3	14.7
Net Profit (USD'mn)	3.6	8.6	8.0	5.1	9.5
Core Profit (USD'mn)	4.3	9.8	7.9	4.6	10.5
EPS (USD)	0.0010	0.0024	0.0022	0.0014	0.0026
EPS Growth	-57.8%	136.9%	-7.5%	-7.4%	84.7%
P/E (x)	53.6	22.6	24.4	19.0	10.3
EV/EBITDA (x)	34.3	26.5	16.0	16.1	10.3
P/BV (x)	1.3	1.2	1.2	1.2	1.1
Dividend Payout Ratio	109.7%	8.4%	12.5%	48.7%	N.A
Dividend Yield	2.0%	0.4%	0.5%	1.3%	N.A

*All P&L Items Annualized

Income Statement

Year end Dec (USD'mn)	2019	2020	2021	6M21	6M22
Revenue	23.7	25.4	36.5	18.2	20.4
Operating Profit	7.9	10.5	18.8	9.2	14.6
EBITDA	8.0	10.7	19.1	9.3	14.7
Net Interest Income / (Expense)	(4.4)	(5.0)	(5.3)	(2.8)	(2.5)
Other Income (Expense)	(0.6)	(1.8)	(1.1)	0.2	(0.8)
Pre-tax Profit	2.8	3.7	12.5	6.7	11.2
Income Tax Expense	0.8	4.9	(4.5)	(1.6)	(1.7)
Minority Interest	1.3	1.9	1.3	1.0	2.7
Net Profit	3.6	8.6	8.0	5.1	9.5
Core Profit	4.3	9.8	7.9	4.6	10.5

Balance Sheet

Year end Dec (USD'mn)	2019	2020	2021	6M21	6M22
Cash and banks	5.0	2.0	1.3	1.4	3.1
Restricted Funds	-	3.5	2.8	3.4	4.0
Trade Receivables	1.3	3.2	3.2	3.7	5.1
Other Receivables	4.9	20.5	17.9	27.1	13.4
Unbilled Financial Asset from Service Concession Project	245.1	254.3	270.6	261.1	277.8
Total Assets	260.8	287.4	300.8	302.6	309.4
Trade Payables	5.8	9.4	3.3	5.1	1.5
Other Payables	3.8	16.5	9.9	20.6	11.8
ST Debt	13.5	11.9	9.2	5.4	10.9
LT Debt	49.2	59.6	79.9	78.4	76.0
Other Liabilities	37.2	33.6	35.0	30.8	38.7
Total Liabilities	109.6	130.9	137.3	140.2	138.9
Minority Interest	20.6	19.8	21.1	21.5	23.0
Shareholders' Equity	151.2	156.5	163.4	162.4	170.5

Cash Flow

Year end Dec (USD'mn)	2019	2020	2021	6M21	6M22
Net Profit	3.6	8.6	8.0	5.1	9.5
Depr/Amort	0.1	0.2	0.2	0.1	0.1
Chg in working capital	2.0	11.7	(33.2)	10.9	(31.5)
Others	(11.4)	(17.0)	24.2	(15.2)	24.3
CF from Operations	(5.6)	3.6	(0.8)	0.9	2.4
Capex	(0.2)	(0.3)	(0.4)	(0.0)	(0.0)
Others	(4.8)	-	-	-	(1.6)
CF from Investing	(5.1)	(0.3)	(0.4)	(0.0)	(1.7)
Net change in debt	(4.3)	8.8	18.3	23.6	2.1
Net change in equity	19.8	-	-	-	-
Dividends	(4.0)	(0.7)	(1.0)	(2.5)	-
Others	(2.5)	(10.7)	(13.9)	(21.9)	(1.1)
CF from Financing	9.0	(2.7)	3.4	(0.8)	1.1
Net Cash Flow	(1.6)	0.6	2.2	0.0	1.8
Cash at BoY	0.2	(1.4)	(0.9)	(0.9)	1.3
Cash at EoY	(1.4)	(0.9)	1.3	(0.8)	3.1
Free Cash Flow	(5.9)	3.3	(1.2)	0.8	2.3

Ratio Analysis

Year end Dec	2019	2020	2021	6M21*	6M22*
Profitability					
Gross Profit Margin (%)	43.9%	56.1%	57.8%	60.6%	79.6%
Operating Margin (%)	33.3%	41.5%	51.6%	50.6%	71.5%
EBITDA Margin (%)	33.7%	42.3%	52.1%	51.0%	72.0%
Net Margin (%)	15.4%	34.0%	21.9%	28.2%	46.6%
Core Margin (%)	18.3%	38.4%	21.5%	25.3%	51.5%
ROE (%)	2.4%	5.5%	4.9%	6.4%	11.4%
ROA (%)	1.4%	3.0%	2.7%	3.6%	6.2%
ROIC (%)	1.7%	3.8%	3.2%	4.2%	7.4%
Dividend Payout Ratio (%)	109.7%	8.4%	12.5%	48.7%	N.A
Dividend Yield (%)	2.0%	0.4%	0.5%	1.3%	N.A
Stability					
Current Ratio (x)	0.5	0.4	1.7	0.5	1.8
Debt to Equity (x)	0.5	0.5	0.6	0.5	0.5
Net Debt to Equity (x)	0.4	0.5	0.5	0.5	0.5
Net Debt to EBITDA (x)	5.1	7.4	5.9	6.4	3.5
Interest Coverage (x)	1.7	1.9	3.3	3.3	5.7

*All P&L Items Annualized

Company Background

PT Kencana Energi Lestari Tbk, was established in 2008 as a producer of new and renewable energy. The Company has 6 plants across Indonesia totalling 64MW capacity.

Major Shareholders

PT Paramata Indah Lestari	30.30%
TEPCO Renewable Power, Incorporated Public	25.00%
Henry Maknawi	11.45%
Jeanny Maknawi Joe	11.00%
Others below 5%	5.00%
	17.25%

SWOT Analysis

Strength

A relatively low net gearing ratio allows for more expansion

Weakness

Fluctuating top line
Need to secure PPA before a project can begin

Opportunity

Rising demand for renewable energy

Threat

Risk of not winning tenders

Indonesia's road to net zero emission

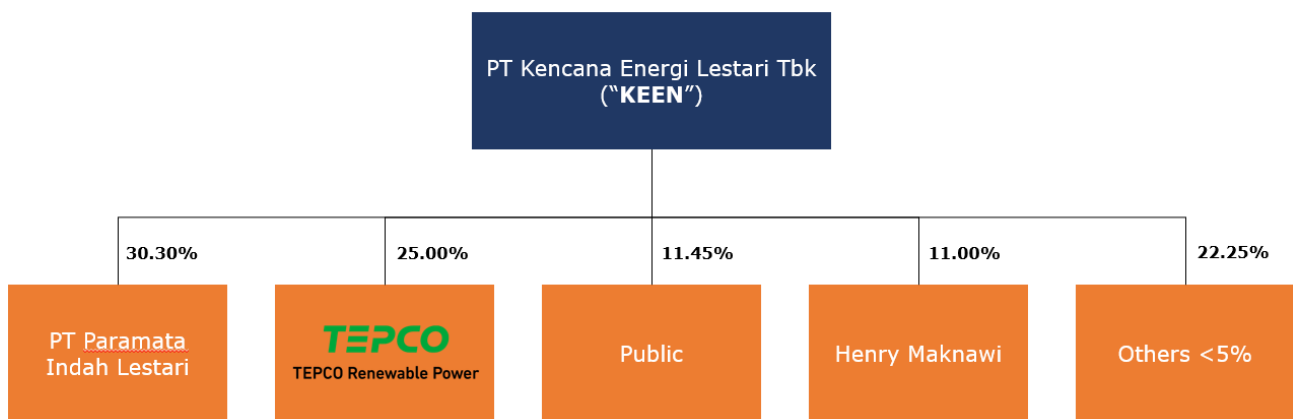
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Company Profile

PT Kencana Energi Lestari Tbk (KEEN or the Company), established in 2008, is a renewable energy provider that operates as an Independent Power Producer (IPP) under a Power Purchase Agreement (PPA) with the State Electricity Company (PLN). The Company is listed on the Indonesian Stock Exchange on 2 September 2019 with an offering price of IDR396/share. The share price has gone up to IDR810/share as of 7 October 2022 (+105%), implying a trailing Price-to-book (P/B) valuation of 1.3x (34% discount to its global peers' average). In February 2022, TEPCO Renewable Power, Inc. (hereafter, TEPCO), a subsidiary of Tokyo Electric Power Company Holdings, Inc., came in as a strategic investor and acquired 25% of KEEN's shares (equivalent to IDR 394.12bn) at a P/B valuation of 0.6x (approximately 70% discount to its global peers' average). TEPCO brings value to KEEN in terms of its technological know-how and engineering expertise besides mainly being a capital support partner.

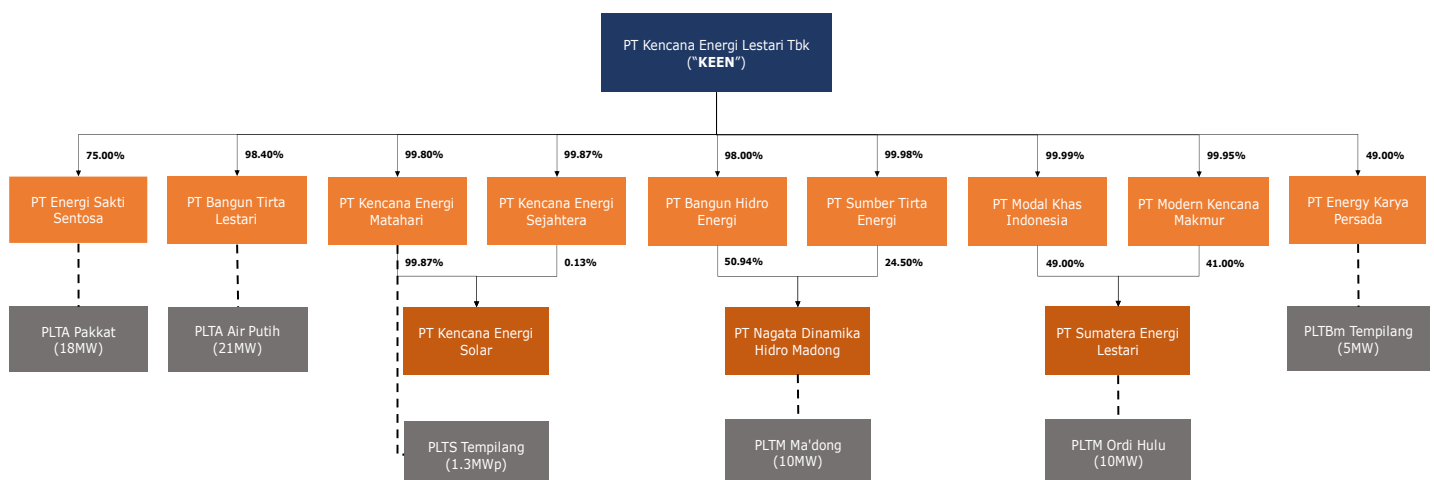
Figure 1. KEEN Group Structure



Source: Company

The Company currently operates 4 New and Renewable Energy (NRE) PP with a total capacity of 64 Mega Watt (MW), which includes Pakkat Hydro PP (18MW), Air Putih Hydro PP (21MW), Ma'dong Mini Hydro PP (10MW) and Tempilang Biomass PP (5MW). Currently, the Company is in the midst of constructing Ordi Hulu Mini Hydro PP (10MW) and Tempilang Solar PP (1.3 Mega Watt peak (MWp)). As part of the Company's business development plan for 1-5 years, KEEN has 500MW NRE projects in the pipeline which include 222MW Hydro PP, 30MW Mini Hydro PP, 162MW Wind PP, 60MW Solar PP and the remaining for biomass and biogas PP. Out of the 500MW planned capacity, the PPA with PLN, for 200MW Hydro PP is expected to be signed by 2023/2024 as the location permits, feasibility studies and other project requirements have been completed. Each company is established to accommodate each NRE PP project, a requirement from the PLN (details on the ownership of KEEN in each project will be depicted in Figure 2).

Figure 2. KEEN Shareholding Structure



Source: Company, Trimegah Research

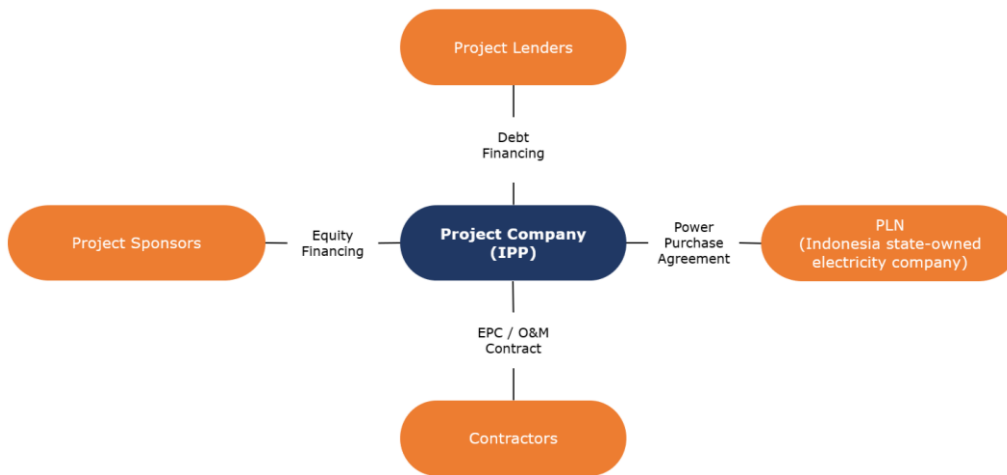
Business Model

The electric power distribution in Indonesia is solely operated and distributed by the state-owned electrical company namely, PLN. Due to this distribution model, non-state-owned energy producers such as KEEN can only sell their output to the PLN after executing the PPA.

Firstly, KEEN will set up an IPP company for each project to mainly focus on its operations as an NRE supplier. KEEN will also set up a holding company (on top of the IPP) for each project to mainly focus on fundraising from the sponsors and disbursements to the contractors to commence the construction of the NRE plants. The holding company will act as financial support to the IPP company. Feasibility studies, environmental impact assessment, environmental permits from the local government and other necessary documents will be properly prepared and obtained prior to the document submissions to PLN for the tender process to begin. After the documents are submitted, PLN will review and announce the qualified applicants to proceed with the discussion and execution of the PPA. Once the Company has obtained the PPA, the construction of the project will commence. KEEN will sub-contract the projects to the EPC contractors from China that are experienced in building the NRE plants and seek funding from the lenders and project sponsors.

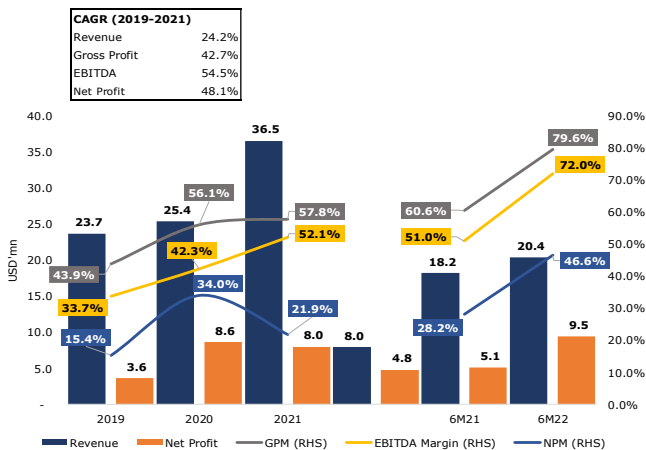
KEEN's projects are mostly operated in either of the 2 schemes: BOOT (Build, Operate, Own and Transfer) or BOO (Build, Operate and Own). BOOT is a scheme whereby KEEN will construct the NRE plants for PLN and operates for a time horizon of 20-30 years (depending on the negotiation with PLN). In return, KEEN will receive construction revenue, interest income and a guaranteed revenue (pay-or-take basis) throughout the tenor and at the end of the tenor, KEEN will handover the NRE plants to PLN. Meanwhile, in the BOO scheme, handover will not be done, and the PP asset remains with KEEN at the end of the PPA. Once the first PPA expires, renegotiation of the rate with PLN will be done for the electricity supply continuation with PLN.

Figure 3. KEEN's Business Model



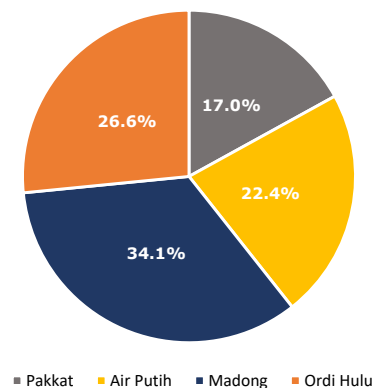
Source: Company

Figure 4. KEEN Consolidated Financial Performance



Source: Trimegah Research

Figure 5. Revenue Contribution as of 6M22



Source: Trimegah Research

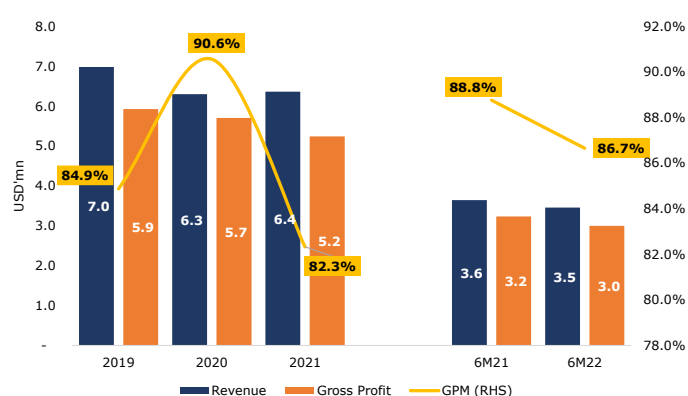
KEEN Existing Plants

1. PLTA Pakkat

Pakkat hydro PP commence its operations in 2018 and it is the Company's first NRE plant. The plant was built and operated by PT Energy Sakti Sentosa (ESS), a subsidiary of KEEN (75% ownership in ESS). Pakkat was developed on a 3.7-hectare (ha) watershed location located in North Sumatra with a total capacity of 18MW and will operate for 30 years under the BOOT scheme. Pakkat can produce up to 125,000 gigawatt hours (GWh) of electricity per year with a utilization rate of 79.27%.

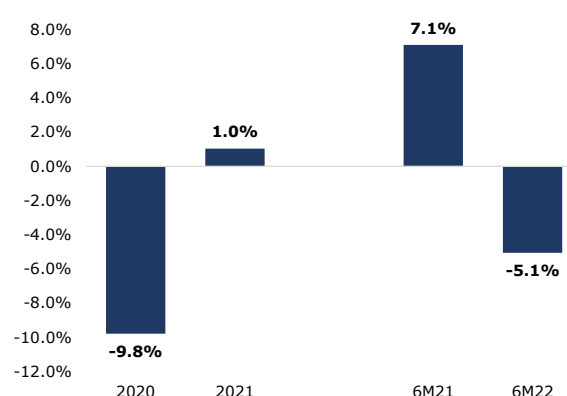
Regarding the financials, Pakkat recorded total revenue of USD3mn in 6M22 (-5.1% YoY), representing approximately a revenue contribution of 27% towards KEEN's overall 6M22 revenue. The decrease in revenue is due to a lower sale of electricity however, management highlights that it will be adjusted accordingly by the end of the year as per the production guarantee and take-or-pay scheme as per the PPA. Gross Margin is approximately 87% in 6M22 (-2.1% YoY), slightly higher than its average historical gross margin being approximately 85.9%.

Figure 6. Pakkat Top Line and GP Margin



Source: Trimegah Research

Figure 7. Pakkat Revenue Growth



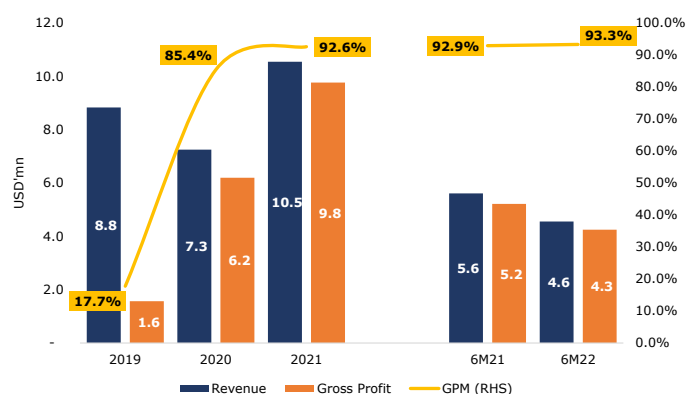
Source: Trimegah Research

2. PLTA Air Putih

Air Putih hydro PP is the Company's second hydro PP which commenced its operations in 2020, managed by PT Bangun Tirta Lestari (BTL), a subsidiary of KEEN (98.4% ownership in BTL). Air Putih was developed on a 20ha watershed location located in Bengkulu Province with a total capacity of 21MW and will operate for 30 years under the BOOT scheme. Air Putih can produce up to 135,000 MWh of electricity per year with a utilization rate of 73.4%.

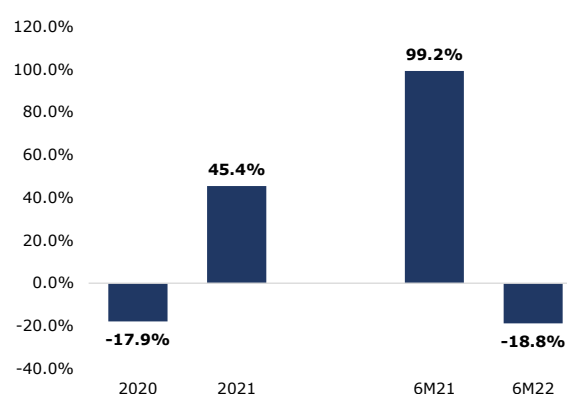
Regarding the financials, Air Putih recorded total revenue of USD4.6mn in 6M22 (-18.8% YoY), representing a revenue contribution of approximately 22%. The decrease in revenue is due to a lower sale of electricity however, management highlights that it will be adjusted accordingly by the end of the year as per the production guarantee and take-or-pay scheme as per the PPA. Gross Margin is relatively stable on a YoY basis at 93.3% (+0.4% YoY).

Figure 8. Air Putih Top Line and GP Margin



Source: Trimegah Research

Figure 9. Air Putih Revenue Growth



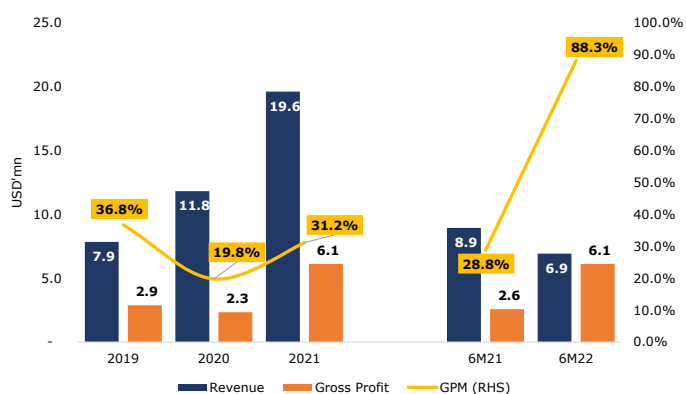
Source: Trimegah Research

3. PLTM Ma'dong

Ma'dong mini hydro PP commence its operations in March 2022 and is operated by PT Nagata Dinamika Hidro Madong (NDHM), with KEEN owning indirectly 74% of NDHM through its subsidiaries, PT Bangun Hidro Energi and PT Sumber Tirta Energi. The plant was located 318km from Makassar, South Sulawesi. Ma'dong mini hydro PP has a total capacity of 10MW with an annual power generation target of 71.68GWh per annum and will operate for 25 years under the BOO scheme. Ma'dong currently has a utilization rate of 70%.

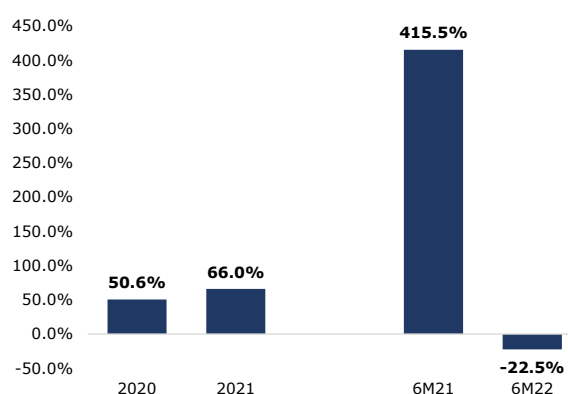
Regarding the financials, Ma'dong recorded total revenue of USD6.1mn in 6M22 (-22.5% YoY), representing a revenue contribution of approximately 34%. Ma'dong represents the biggest chunk of the revenue contribution pie as still records the construction revenue whilst Pakkat and Air Putih are already operating hence, no construction revenues are recorded. Ma'dong records a lower revenue as it approaches the Commercial Operation Date (COD). The significant revenue growth in 6M21 is due to bigger construction progress in 2021 as compared to 2020 and as such, recording a significantly larger construction revenue in 6M21.

Figure 10. Ma'Dong Top Line and GP Margin



Source: Trimegah Research

Figure 11. Ma'Dong Revenue Growth



Source: Trimegah Research

4. PLTM Ordi Hulu

Ordi Hulu mini hydro PP is currently in construction and projected to commence its operations in Q1 2024. The plant will be operated by PT Sumatera Energi Lestari (SEL), with KEEN owning indirectly 90% of SEL through its subsidiaries, PT Modal Khas Indonesia and PT Modern Kencana Makmur. The plant is located in Pakpak Bharat Regency, North Sumatra. Ordi Hulu mini hydro PP has a total capacity of 10MW and is projected to generate 63GWh per annum with a utilization rate of 72.5% and will operate for 25 years under the BOOT scheme.

Regarding the financials, as Ordi Hulu is still in the construction process, the plant recorded a construction revenue of USD5.4mn in 6M22 and a Gross Margin of 52.5%.

5. PLTBm and Solar PV Tempilang

Tempilang biomass PP has been operating since 2018 and is operated by PT Energy Karya Persada (EKP), a direct subsidiary of KEEN (49% ownership in EKP). To note, KEEN's ownership in the Tempilang plant is recorded as Investment in Associate as such, no revenue details from the plant were disclosed in the financial statements. The plant has a capacity of 5MW, located in West Bangka Regency, Bangka Belitung Islands. Tempilang biomass PP can generate 26GWh per annum with a utilization rate of 65% and will operate for 25 years under the BOOT scheme.

Tempilang Solar PP is currently in construction with a total capacity of 1.3MWp. The COD is expected to be by the end of 2022 and the plan is projected to generate 1.6GWh per year with a utilization rate of 79.4%.

KEEN 2Q22 Financial Performance

For clarity, the figures are reported using the service concession accounting method namely, ISAK 16 which is adopted from IFRIC 12. Under ISAK 16 accounting method, KEEN's revenue will be recorded as follows: (1) construction revenue will only be recorded from the start of construction up to the COD; (2) amortisation of concession interest income; and (3) sale of electricity. To note, the sale of electricity is recorded when the revenue from the total production of electricity is greater than the minimum guaranteed volume. KEEN recorded 2Q22 revenue of USD10.7mn (+10.8% QoQ, -4.2% YoY), with the increase in QoQ revenue contributed by the increase in concession interest income and sale of electricity. Subsequently, the other profitability margins such as the GPM, EBITDA Margin, Operating Margin and NPM have decreased on QoQ basis due to the following reasons: (1) Ma'dong's no longer constructing hence, no construction revenue; (2) a decrease in the sale of electricity from Air Putih hydro PP; and (3) the Company recorded a higher forex loss. We expect the top line and bottom line to decrease over time if there are no new projects added gradually due to the characteristic of the ISAK 16 accounting method: (1) construction revenue being recorded in the early years up to the COD of the project will show an overall "inflated" revenue; (2) amortisation of concession interest income which is declining in nature; and (3) stable sale of electricity due to the take-or-pay contract. As such, we believe that balance sheet growth, end of cash balance and free cash flow is imperative to look at as a reflection of the Company's financial performance.

Figure 12. KEEN 2Q22 Financial Performance

KEEN 2Q22 Result

in USD' mn	2Q21	1Q22	2Q22	QoQ	YoY	6M21	6M22	YoY
EBITDA	6.3	8.2	6.5	-20.8%	3.6%	9.3	14.7	57.7%
Operating Profit	6.2	8.1	6.5	-20.4%	4.0%	9.2	14.6	58.2%
Interest Income / (Expense) - net	(1.8)	(1.3)	(1.3)			(2.8)	(2.5)	
Net Profit	3.2	5.3	4.2	-20.1%	32.6%	5.1	9.5	84.7%
Core Profit	2.7	5.4	5.1	-6.4%	86.9%	4.6	10.5	127.8%
Gross margin	63.0%	94.1%	66.6%	-27.6%	3.6%	60.6%	79.6%	19.1%
EBITDA margin	56.0%	84.6%	60.5%	-24.1%	4.6%	51.0%	72.0%	20.9%
Operating margin	55.6%	83.9%	60.3%	-23.6%	4.8%	50.6%	71.5%	20.9%
Net margin	28.4%	54.5%	39.3%	-15.2%	10.9%	28.2%	46.6%	18.4%
Core margin	24.4%	56.4%	47.6%	-8.7%	23.2%	25.3%	51.5%	26.2%
Revenue Breakdown								
Concession Project Revenue	5.7	5.4	5.2	-2.7%	-9.0%	8.9	10.6	18.5%
Concession Interest Income	3.1	3.1	4.1	29.7%	33.0%	6.1	7.2	17.9%
Sale of Electricity	2.4	1.1	1.4	21.9%	-41.0%	3.1	2.5	-19.0%
Cash and Banks	1.4	1.8	3.1	70.2%	125.0%	1.4	3.1	125.0%
Unbilled financial asset from service concession project	261.1	275.0	277.8	1.0%	6.4%	261.1	277.8	6.4%
Total Debt	83.8	87.7	86.9	-1.0%	3.7%	83.8	86.9	3.7%
Total Equity	162.4	168.9	170.5	1.0%	5.0%	162.4	170.5	5.0%
Net Debt-to-Equity Ratio (x)	0.5	0.5	0.5	-3.4%	-3.2%	0.5	0.5	-3.2%
Net Debt-to-EBITDA Ratio (x)	3.3	2.6	3.2	23.2%	-1.9%	4.4	2.9	-35.5%
Interest Coverage (x)	4.2	6.3	5.1	-18.4%	23.2%	3.3	5.7	71.9%
Cash at EoY						(0.8)	3.1	
Free Cash Flow						0.8	2.3	

Source: Company, Trimegah Research

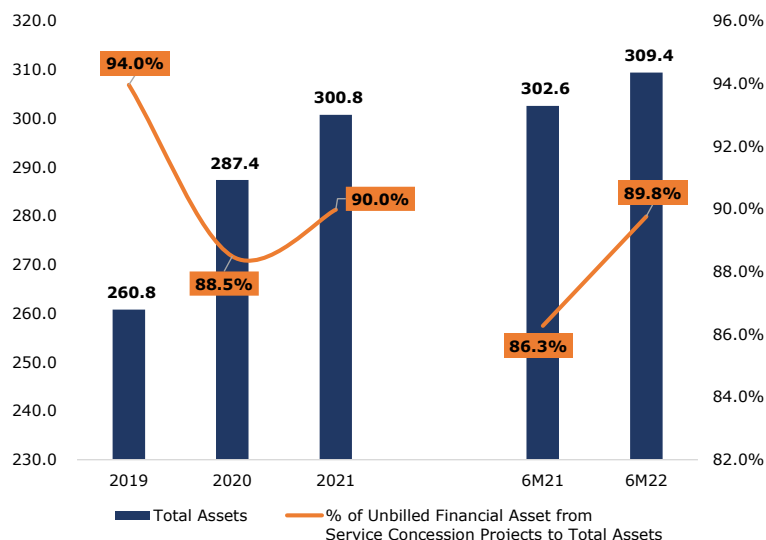
In terms of the balance sheet, in 2Q22, KEEN has built up its cash amounting to USD3.1mn (+70.2% QoQ / +125.0% YoY). Given its business nature as an IPP, KEEN applies service concession accounting (ISAK 16), in which KEEN recognizes a financial asset (Unbilled Financial Asset from Service Concession Project) as the company has an unconditional right to receive cash from PLN for the construction and maintenance of concession assets (the capacity payment) instead of recognizing the property, plant, and equipment (PPE) that it builds and operates. KEEN recorded an unbilled financial asset from service concession projects of USD277.8mn as of 6M22, representing 90% of the total assets.

KEEN's projects are financed through the capital structure of 70% debt and 30% equity. As such, the Company is highly levered with 62.7% of the total liabilities consisting of debts. KEEN's 6M22 gearing and net gearing were 0.5x and 0.5x, respectively, while the net debt to EBITDA ratio is 2.9x. Given that the company shared its maximum DER level of 1.5x (as

per management’s guidance), we believe KEEN has plenty of room to raise capital (both debt and equity) to support its expansion plans.

Management has mentioned that going forward, cash flow will be stabilised from the sale of electricity using the take-or-pay method. We expect that post-expansion, the Company will start to build up more cash and have a better cash position.

Figure 13. KEEN’s growing balance sheet

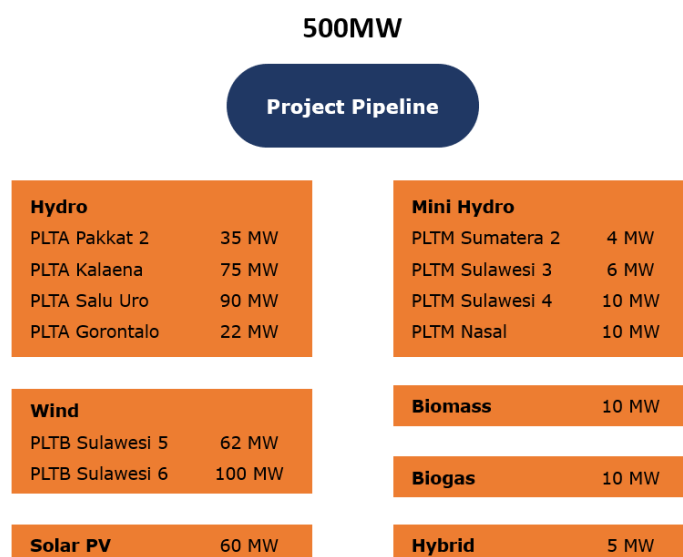


Source: Company, Trimegah Research

What’s next?

KEEN has 3 hydro PP projects in line namely, Pakkat 2 (35MW) in North Sumatra, Kalaena (75MW) and Saluro Uro (90MW) in South Sulawesi, totalling 200MW capacity, and the Company expects to sign the PPA with PLN in 2023/2024. The 200MW capacity project is included in KEEN’s 500MW project pipeline as depicted in Figure 14.

Figure 14. KEEN’s 500MW Project Pipeline



Source: Trimegah Research

The capital expenditure required for its 200MW project is USD500mn; assuming a cost of USD2.5mn/MW, according to the company’s guidance. Take note that the company intends to finance its upcoming projects with a capital structure that consists of 25–30% equity and 75–80% debt. The company confirmed that they have several options to raise its capital, including the right issue, bonds, mezzanine financing, and private placement.

We attempted to conduct a scenario analysis (Figure 15) in which the company raised its required funding based on a targeted debt-to-equity ratio (DER) ranging from 0.5x to the Company’s DER covenant of 3.0x, considering the need for PT Trimegah Sekuritas Indonesia Tbk – www.trimegah.com

capital that the company has to fund its expansion. Assuming such a DER range, our back-to-the-envelope calculation suggests that the Company have the capability to add an additional USD166mn to USD481mn of debt to the total debt as of 6M22. Subsequently, the Company can raise additional equity ranging from USD19mn to USD334mn, representing 10% to 66% of the total equity after the 200MW project.

Figure 15. Maximum additional debt and equity based on the Company's DER covenant of below 3.0x

Debt-to-Equity Ratio (x)	Debt Structure (%)	Equity Structure (%)	Additional Debt (USD' mn)	Additional Equity (USD' mn)	Total Debt After 200MW Project (USD' mn)	Total Equity After 200MW Project (USD' mn)	% of Additional Equity to Total Equity After 200MW Project
0.5	33%	67%	166	334	252	505	66%
1.0	50%	50%	292	208	379	379	55%
1.5	60%	40%	368	132	454	303	44%
2.0	67%	33%	418	82	505	252	32%
2.5	71%	29%	454	46	541	216	21%
3.0	75%	25%	481	19	568	189	10%

Source: Trimegah Research

Peers Comparison

We believe that KEEN's most comparable peer in Indonesia is PT Arkora Hydro Tbk (ticker: ARKO). We have compiled the current operating and future projects (based on the projects that already have progress, excluding the pipelines) under Figures 16 and 17 and the total operating and construction capacity and total capacity show that KEEN's capacity is 2.3x (64MW vs 27.4MW) and 3.9x (264MW vs 68.5MW) larger than ARKO's, respectively. Reportedly, KEEN targets to have a total capacity of 500MW by 2025 while ARKO targets to have 200MW.

Figure 16. KEEN Projects

Project Name	NRE Plant Type	Location	Status	Capacity (MW)
Pakkat	Hydro	North Sumatra	Operating (2018)	18
Air Putih	Hydro	Bengkulu	Operating (2020)	21
Ma'dong	Mini Hydro	South Sulawesi	Operating (2022)	10
Tempilang	Biomass	Bangka Belitung	Operating (2018)	5
Ordi Hulu	Mini Hydro	North Sumatra	Construction	10
Tempilang	Solar PV	Bangka Belitung	Preparing for Construction	1.3 MWp
Pakkat 2	Hydro	North Sumatra	Waiting for PPA	35
Kalaena	Hydro	South Sulawesi	Waiting for PPA	75
Salu Uro	Hydro	South Sulawesi	Waiting for PPA	90
Total Operating + Construction Capacity				64
Total Capacity				264

Source: Trimegah Research

Figure 17. ARKO Projects

Project Name	NRE Plant Type	Location	Status	Capacity (MW)
Cikopo	Mini Hydro	West Java	Operating (2017)	7.4
Tomasa	Mini Hydro	Central Sulawesi	Operating (2020)	10
Yaentu	Mini Hydro	Central Sulawesi	Construction	10
Kukusan 2	Mini Hydro	Lampung	Waiting for PPA	5.4
TKR	Mini Hydro	Southeast Sulawesi	Set by PLN as a Provider	10
O3	Mini Hydro	Southeast Sulawesi	Set by PLN as a Provider	6.2
TMN	Mini Hydro	South Sulawesi	Set by PLN as a Provider	10
NLO	Mini Hydro	Jambi	Set by PLN as a Provider	5
WKS	Mini Hydro	Lampung	Set by PLN as a Provider	4.5
Total Operating + Construction Capacity				27.4
Total Capacity				68.5

Source: Trimegah Research

Based on Figure 18, KEEN produces 2.6x more electricity as compared to ARKO. Despite ARKO's higher simple average selling price per MWh, KEEN have better profitability margins in terms of its top-line and bottom-line margins. Moreover, KEEN has larger balance sheet figures in terms of the unbilled financial assets from the concession project which presents all the future cash flows of each plant in the Company. We believe that KEEN have more cash flow visibility. In terms of gearing ratio, KEEN still have more room to leverage and expand. Valuation-wise, KEEN is trading at a trailing P/B ratio of 1.3x, an 87% discount to ARKO's trailing P/B ratio of 10.2x. In addition, KEEN also has a lower EV/MW of USD4.7mn/MW, implying a 31% discount to ARKO's EV/MW of USD6.9mn/MW.

Furthermore, KEEN is trading at a discount of 34% to its global peers' average of 2.0x trailing P/B and a 24% discount to its SEA peers' average of 1.7x trailing P/B multiples.

Figure 18. KEEN vs ARKO Metrics Comparison

Company	Operating + Construction (MW)	Enterprise Value (EV) (USD' mn)	EV/MW (USD' mn/MW)	Total 2021 Electricity Production (MWh)	Unbilled Financial Assets from Concession Project (USD' mn)	Gearing Ratios 6M22		Valuation Multiples		
						Net Debt to Equity (x)	Net Debt to EBITDA (x)	P/E* (x)	EV/EBITDA* (x)	P/B (x)
KEEN	64.0	302	4.7	252,700	278	0.5	3.5	10.3	10.3	1.3
ARKO*	27.4	188	6.9	95,740	2	2.5	10.8	39.5	31.3	10.2

*Using annualised 6M22 P&L figures

Source: Trimegah Research

Figure 19. Global and SEA Peers Multiples Comparison

Peers	Market Cap (USD bn)	Trailing P/E* (x)	Trailing EV/EBITDA* (x)	Trailing P/B (x)
China				
China Three Gorges Corporation	22.64	21.7	16.2	2.2
Huaneng Lancang River Hydropower Inc.	17.40	17.8	13.3	2.4
China Longyuan Power Group	16.40	12.0	10.5	1.2
SDIC Power Holdings Co	11.25	32.5	12.0	1.7
GD Power Development Co	10.20	N/A	14.7	1.6
India				
NTPC Ltd	19.10	9.4	9.2	1.2
Adani Power Ltd	17.35	28.9	19.2	7.7
Tata Power Co Ltd	8.38	31.0	15.5	3.1
JSW Energy Ltd	5.98	28.3	15.7	2.8
NHPC Ltd	4.41	10.2	12.5	1.0
Japan				
Chubu Electric Power Co Inc.	6.60	N/A	25.5	0.4
Tokyo Electric Power	4.97	N/A	16.1	0.3
Electric Power Development Co Ltd	2.49	5.3	11.5	0.4
Renewable Japan Co Ltd	0.13	31.1	N/A	1.7
Southeast Asia (SEA)				
Global Power Synergy PCL	4.56	43.1	16.8	1.6
Ratch Group PCL	2.31	8.9	18.3	0.9
CK Power PCL	1.06	17.8	22.2	1.6
Sermsang Power Corp Co Ltd	0.32	8.7	7.2	1.6
Thac Moc Hydropower JSC	0.15	8.0	5.9	2.6
Central Hydropower JSC	0.15	7.1	5.3	1.9
Global Multiples				
Mean		20.7	14.8	2.0
Median		21.7	14.7	1.6
Min		5.3	9.2	0.3
Max		32.5	25.5	7.7
SEA Multiples				
Mean		15.6	12.6	1.7
Median		8.8	12.0	1.6
Min		7.1	5.3	0.9
Max		43.1	22.2	2.6

Source: Trimegah Research

Management Team

Board of Commissioner



Albert Maknawi
President Commissioner (2018)

Indonesian Citizen

Education Background:

- Bachelor's Degree in Engineering and Economics from the University of Melbourne (2004)

Other Present Positions:

- Director of PT Bumi Permai Sentosa (2010-present)
- President Director of PT Cahaya Permata Gemilang (2010-present)
- Commissioner of PT Energy Cipta Utama (2014-present)
- Commissioner of PT Energy Karya Persada (2014-present)
- President Director of PT Citra Megah Kencana (2017-present)
- President Director of PT Mentari Bangun Persada (2017-present)
- President Director of PT Sawit Permai Lestari (2017-present)
- President Director of PT Wira Palm Mandiri (2017-present)
- Commissioner of PT Kencana Agro Jaya (2017-present)
- Commissioner of PT Belitung Energy (2018-present)
- Commissioner of PT Listrindo Kencana (2018-present)



Jeanny Maknawi Joe
Commissioner (2018)

Indonesian Citizen

Education Background:

- Bachelor of Accountancy from UNAI College, Bandung (1976)

Other Present Positions:

- President Commissioner of PT Sumber Karya Kencana (2009-present)
- Director of PT Bhaga Surya Kencana Dewata (2012-present)
- President Director of PT Graha Meruya (2013-present)
- Director of PT Makna Alam Sejahtera (2014-present)
- President Commissioner of PT Kharisma Alam Sejahtera (2014-present)
- President Commissioner of PT Kirin Investindo (2016-present)
- Director of PT Mega Investindo (2018-present)
- Commissioner of PT Karmolin Perdana (2018-present)



Sim Idrus Munandar
Independent Commissioner (2018)

Indonesian Citizen

Education Background:

- Bachelor's Degree in Accounting from the University of Indonesia (1982)

Other Present Positions:

- Independent Director of Samko Timber Ltd (2008-present)
- Independent Director of Kencana Agri Ltd (2010-present)

Past Experiences:

- Senior Auditor of Price Waterhouse Accounting Firm (1977-1981)
- Lecturer at STIE Jayakarta (1981-2014)
- President Director of Bina Danatama Finance Tbk (1982-2005)
- Independent Commissioner of BCA Finance (2012-2016)



Freenyan Liwang
Independent Commissioner (2019)

Indonesian Citizen

Education Background:

- Bachelor's Degree in Business Administration from Tamkang University, Taiwan (1986)

Other Present Position:

- Commissioner & Advisor of PT Gradana Teknoruci Indonesia (2010-present)

Past Experiences:

- Systex Setia Garment (1986-1987)
- Chief Department of Production Control Tuntex Incorporation, Taiwan (1986-1987)
- Cardex Services (Far East) Limited, Jakarta (1987-1991)
- Senior Quality Control of Mondial Orient Limited (1987-1991)
- Credit Card Center's New Account Managers of PT Bank International Indonesia (1991-2000)
- Deputy CEO of PT Bank Internasional Ningbo, China (1994-2010)
- President Director of PT Bank Sinar Mas Tbk (2010-2017)



Yamaguchi Masahiro
Commissioner

Japan Citizen

Board of Directors



Henry Maknawi
President Director (2018)

Indonesian Citizen

Education Background:

- SMA Prayatna, Medan (1975)

Other Present Positions:

- Founder of Kencana Agri Ltd. (1995-present)
- President Commissioner of PT Wira Palm Mandiri (2007-present)
- President Commissioner of PT Sawit Permai Lestari (2007-present)
- President Commissioner of PT Cahaya Permata Gemilang (2010-present)
- President Commissioner of PT Bumi Permai Sentosa (2010-present)
- President Commissioner of PT Bhaga Surya Kencana Dewata (2012-present)
- President Director of PT Mega Investindo (2013-present)
- President Director of PT Makna Alam Sejahtera (2014-present)
- President Commissioner of PT Citra Megah Kencana (2015-present)
- President Commissioner of PT Mentari Bangun Sejahtera (2015-present)
- Commissioner of PT Kapuk Muara Indah Lestari (2015-present)



Wilson Maknawi
Vice President Director (2018)

Indonesian Citizen

Education Background:

- Bachelor of Business specializing in Human Resources from Monash University Melbourne, Australia (2007)

Other Present Positions:

- Director of PT Sumber Karya Kencana (2009-present)
- Director of PT Prasanthi International Indonesia (2010-present)
- Director of Eurolifts Group (2011-present)
- Director of PT Energy Sakti Sentosa (2011-present)
- Director of PT Bangun Tirta Lestari (2012-present)
- Director of PT Kencana Panelindo (2012-present)
- Director of PT Energi Angin Indonesia (2012-present)



Rusmin Cahyadi
Director (2018)

Indonesian Citizen

Education Background:

- Bachelor's degree in Electrical Engineering from Maranatha Christian University Bandung (1983)

Other Present Positions:

- President Director of Kencana Group (2009-present)

Past Experiences:

- Marketing Supervisor of PT Voksel Elektronik Tbk (1982-1983)
- Marketing Manager of PT Voksel Elektronik Tbk (1984-1989)
- Marketing Director of PT Voksel Elektronik Tbk (1990-1997)
- Finance Director of PT Voksel Elektronik Tbk (1998-2002)
- President Director of PT Voksel Elektronik Tbk (2003-2008)



Karel Sampe Pajung

Director (2018)

Indonesian Citizen

Education Background:

- Bachelor of Electrical Engineering from the Bandung Institute of Technology (1983)

Other Present Positions:

- Director of PT Energi Angin Indonesia (2012-present)
- Director of PT Tirta Energi Cemerlang (2012-present)
- President Director of PT Sumber Rahmat Pertiwi (2012-present)
- Director of PT Energi Angin Mandiri (2013-present)
- Director of PT Bangun Tirta Lestari (2013-present)
- Director of PT Energi Sakti Sentosa (2013-present)



Giat Widjaja

Commissioner (2018)

Indonesian Citizen

Education Background:

- Bachelor of Accounting from Atmadjaja University, Jakarta (1989)
- Master of Business Administration (MBA) from the Royal Melbourne Institute of Technology (RMIT), Australia (2002)

Other Present Positions:

- Commissioner of PT Makmur Mandiri Langgeng (2015-present)
- Chief of Business Development Officer at Kencana Group (2014-present)



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Japan Citizen

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