

14 October 2019

Alternative Energy | Energy

Kencana Energi Lestari (KEEN IJ)

Buy

Initiate BUY: Renewables For a Better Future

Target Price (Return)	IDR780 (+30%)
Price:	IDR600
Market Cap:	USD156m
Avg Daily Turnover (IDR/USD)	11,300m/0.8m

- **Initiate BUY, IDR780 TP** derived from 1.3x FY20F P/BV, 30% upside. KEEN's share price has skyrocketed after its IPO, thereby justifying its fundamentals. We believe its valuation is still attractive vs peers. This power plant operator's business is also in line with the global trend of battling pollution. Cash flow is stable, marked by the recent increase in raised cash (from IPO proceeds), which enables it to expand into more renewable energy projects. It deserves to trade at a premium, on its environment-based operation.
- **Renewable energy specialist.** Kencana Energi Lestari aims to be Indonesia's leading renewable power producer. It built its first hydropower plant in 2010, and currently operates three hydropower plants totalling 49MW in output. As concerns on greenhouse gas emissions are growing globally, countries are racing to adopt renewable energy – which should help secure KEEN's project pipeline ahead.
- **Key beneficiary of the Government's move to boost renewable energy.** KEEN's speciality lies in constructing run-of-river (RoR) hydropower facilities. Despite surging significantly in the past five years, Indonesia's electricity consumption was still lower than that of other countries in the region, in 2018. Also, Indonesia has one of the lowest rates of renewable energy consumption per capita in Asia. The country's current renewable power plants account for a mere 12% of the nation's total installed capacity vs the regional peer average of 17-18%. We believe Indonesia should further promote the construction of hydropower plant projects, to fulfil the Government's target of having renewable energy take up a 23% portion of energy consumption by 2025.
- **Stable cash flow.** KEEN's stable cash flow is due to its build-own-operate-transfer (BOOT) contract with state-owned power company Perusahaan Listrik Negara (PLN), as mandated by the Ministry of Energy and Mineral Resources (ESDM). Under a power purchase agreement (PPA), KEEN is required to supply a certain amount of electricity, which is subject to set tariffs.
- **IPO proceeds to enable it to expand into more renewable energy projects.** Its recent IPO raised IDR290.4bn (c.USD20.5m). The proceeds should enable KEEN to expand into more renewable energy projects, and finance working capital. Management said 55% of total IPO proceeds will be used for expansion, 25% for working capital, and 20% for capex.

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Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	51.52	(11.76)	-	-	-
Relative	48.00	(8.14)	-	-	-
52-wk Price low/high (IDR)				396	720

Table of Contents

Financial Exhibits	2
Investment Summary	3
Company Background	5
Financial Performance	12
Valuation	18
Industry Overview	20
Appendix	28

Forecasts and Valuation	Dec-17	Dec-18	Dec-19F	Dec-20F	Dec-21F
Total turnover (USDm)	35.0	26.4	32.8	35.7	33.5
Reported net profit (USDm)	2.6	6.0	10.1	12.1	11.4
Reported net profit growth (%)	(51.4)	134.7	67.8	19.3	(5.3)
EPS (IDR)	10.0	23.4	39.2	46.8	44.3
P/E (x)	63.3	27.0	16.1	13.5	14.2
P/B (x)	1.6	1.5	1.1	1.0	1.0
Dividend Yield (%)	-	-	-	2.2	2.1
EV/EBITDA (x)	8.8	15.4	9.9	8.8	9.3
Return on average equity (%)	2.5	5.5	6.9	7.8	7.0

Source: Company data, RHB

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Financial Exhibits

Asia		Financial Summary	2017	2018	2019F	2020F	2021F
Indonesia		Reported EPS (IDR)	10.0	23.4	39.2	46.8	44.3
Energy		DPS (IDR)	0.0	0.0	0.0	14.0	13.3
Alternative Energy		BVPS (IDR)	397.8	428.2	570.1	602.9	633.9
Major shareholders (%)		Income Statement (USDm)	2017	2018	2019F	2020F	2021F
Paramata Indah Lestari	30.3%	Total Turnover	34.97	26.45	32.84	35.74	33.45
Henry Maknawi	14.3%	Gross Profit	26.03	16.72	22.61	25.71	24.42
		EBITDA	24.92	14.62	20.63	23.52	22.24
		Depreciation and Amortisation	0.04	0.07	0.10	0.13	0.14
Valuation basis		Operating Profit	24.88	14.55	20.54	23.38	22.11
i. Target P/BV of 1.3x on 2020F BVPS;		Net Interest	(9.06)	(4.02)	(3.96)	(4.00)	(3.93)
ii. The multiple reflects soon-to-be-acquired projects, contributed from its parent company Paramata Indah Lestari		Pre-Tax Profit	15.74	12.67	16.33	19.61	18.40
		Taxation	(4.32)	(5.76)	(4.08)	(4.90)	(4.60)
		Minority Interests	(7.81)	(0.88)	(2.12)	(2.63)	(2.36)
		Reported Net Profit	2.57	6.03	10.13	12.08	11.44
Key drivers		Cash Flow (USDm)	2017	2018	2019F	2020F	2021F
i. Population growth;		Change in Working Capital	(0.70)	(2.27)	(2.71)	0.39	(0.23)
ii. Government concerns on emissions;		Cash Flow from Operations	1.09	(3.23)	(5.77)	2.99	3.82
iii. Electricity demand & economic growth;		Capex	(0.07)	(0.00)	(0.20)	(0.15)	(0.15)
iv. New projects won.		Cash Flow from Investing	(13.07)	(0.46)	(0.20)	(0.15)	(0.15)
		Dividends Paid	-	-	-	(3.62)	(3.43)
Key risks		Cash Flow from Financing	12.74	2.53	31.22	(7.82)	(8.84)
The downside risks include:		Cash at Beginning of Period	0.55	1.31	0.15	25.41	20.42
i. PPA not being signed or extended;		Net Change in Cash	0.75	(1.16)	25.26	(4.99)	(5.17)
ii. Economic slowdown;		Ending Balance Cash	1.31	0.15	25.41	20.42	15.25
iii. <i>Force majeure</i> such as landslide, earthquake.		Balance Sheet (USDm)	2017	2018	2019F	2020F	2021F
Company Profile		Total Cash and Equivalents	1.31	0.15	25.41	20.42	15.25
Kencana Energi Lestari sells electricity through renewable energy power plants. It currently has three PPAs with Perusahaan Listrik Negara.		Tangible Fixed Assets	0.21	0.14	0.24	0.26	0.27
		Unbilled Financial Assets	213.09	227.32	242.59	255.85	265.53
		Total Assets	219.44	233.94	285.42	293.47	299.41
		Short-Term Debt	3.46	5.91	4.50	10.00	10.48
		Total Long-Term Debt	54.03	57.39	58.52	48.81	42.93
		Total Liabilities	103.54	111.13	120.98	120.58	118.50
		Shareholder's Equity	115.90	122.80	164.44	172.89	180.90
		Minority Interest	13.20	12.25	12.25	12.25	12.25
		Total Equity	115.90	122.80	164.44	172.89	180.90
		Net Debt	56.18	63.15	37.61	38.39	38.16
		Total Liabilities & Equity	219.44	233.94	285.42	293.47	299.41
		Key Metrics	2017	2018	2019F	2020F	2021F
		Revenue Growth (%)	32.4	(24.4)	24.2	8.8	(6.4)
		EPS Growth (%)	(51.4)	134.7	67.8	19.3	(5.3)
		Gross Margin (%)	74.4	63.2	68.8	71.9	73.0
		EBITDA Margin (%)	71.2	55.3	62.8	65.8	66.5
		Net Profit Margin (%)	7.4	22.8	30.8	33.8	34.2
		Dividend Payout (%)	-	-	-	30.0	30.0
		Interest Cover (x)	3.2	2.7	3.6	5.2	5.8

Source: Company data, RHB

Investment Summary

Valuation: P/BV 2020F of 1.3x – 12-month TP of IDR780

Despite KEEN's share price increasing 53% since its IPO, we still believe there is a potential price upside. The recent successful IPO has shown investor enthusiasm for new perspectives, especially in renewable energy – similar issues are being faced by all communities globally.

We believe the number of potential projects from the Government that should be secured by the company – as well as the possibility of an inclusion into the Environmental, Social, Governance (ESG) Index in future – are reflected on our undemanding valuation of 1.3x P/BV to 2020F book value. This translates into a 12-month TP of IDR780.

Renewable energy specialist – one of a kind

KEEN aims to be the leader among Indonesia's publicly-listed renewable power producers. Established in May 2008 as Citra Alam Pratama, the company began construction of its first hydropower plant in 2010. KEEN currently owns and operates three hydropower facilities with a total output of 49MW.

Indonesia – together with 174 other countries – ratified the Paris Agreement in 2016. This showed the Government's intent in participating in the climate change fight. It also indicates the possibility of more renewable energy-related projects for KEEN in the future.

Key beneficiary of government programmes to boost renewable energy

Despite a huge acceleration within the past five years, Indonesia's 2018 electricity consumption of 1,064kWh per capita still remains below that of its regional peers, which average 5,995kWh per capita. As the domestic economy is undergoing urbanisation and industrialisation, we believe this should promote the construction of additional power plant projects.

We also think the export ban acceleration on certain produced minerals could subsequently increase the demand for more electricity, too – as more smelters will be set up domestically to process such minerals.

The Government is targeting 23% of the total energy produced locally to be sourced from renewables. Recent data shows that Indonesia's current total renewables only account for 12% of total energy sources, which implies there is much room for improvement in this sector.

Moreover, despite being the second-largest renewable energy producer in South-East Asia with 39,509GWh – Vietnam is the largest at 63,654GWh – Indonesia has one of the lowest renewable energy consumption per capita in the region at 151.3kWh.

More stable cash flow from operation

KEEN offers more stable cash flow due to its "take-or-pay" contract with PLN. Under the PPA requirement – mandated through ESDM Decree No. 10/2017 – the company is required to supply a certain amount of electricity, with tariffs that have been set initially. Being a RoR hydropower specialist enables KEEN to utilise a river's continuous flow of water to generate electricity.

Ready to expand into more renewable energy segments

To keep growing, the company needs to expand its renewables portfolio. On 2 Sep 2019, KEEN succeeded in raising USD20.5m via its IPO. The proceeds will ensure that it has enough funding to expand its renewables portfolio and finance working capital – to meet the Government's goal of having 23% of total energy produced locally from renewable sources.

Around 55% of KEEN's total IPO proceeds will be used by the company to develop new renewable projects. Of the remaining balance, 25% is slated for working capital and 20% has been set aside for capex. KEEN plans use the 55% portion of the proceeds to expand its renewable energy projects portfolio.

As a near-term catalyst, in Jun 2019, KEEN made an initial investor agreement with parent Paramata Indah Lestari (PIL), which owns a 28.4% stake in the company. The agreement allows KEEN to acquire shares in PIL's renewable projects with a minimum 70% stake. This agreement will secure the company's construction project revenue for the next 4-5 years and more operating cash flow going forward.

Company Background

KEEN was established in 2008 with a focus on building and operating renewable energy facilities in Indonesia. The company started constructing its first hydropower plant in 2010 after obtaining a PPA with PLN in 2009. KEEN currently owns and operates three hydropower plants with a total capacity of 49MW.

The company aims to become the leading renewables player in Indonesia by acquiring more renewable projects. These include:

- i. Biomass;
- ii. Biogas;
- iii. Solar photovoltaics;
- iv. Wind farms.

KEEN's medium-term plan is to have a renewables capacity total of 200MW.

The company acts as a holding entity for three operating subsidiaries:

- i. Energy Sakti Sentosa (ESS);
- ii. Bangun Tirta Lestari (BTL);
- iii. Nagata Dinamika Hidro Madong (NDHM).

Each unit constructs and operates an alternative energy power plant and sells the electricity produced solely to PLN. ESS and BTL are located in Indonesia's second-biggest contributing region in terms of economic output GDP, Sumatera (21.54%). The other contributing regions are Java, Kalimantan, Sulawesi, and others, at 59.11%, 8.01%, 6.34%, and 5.23% as at 2Q19. BTL is also situated in Sulawesi's nickel reserves region – most nickel smelters are currently developed on the island's southern and eastern parts.

Figure 1: KEEN's ownership breakdown

Figure 2: Company milestones

Names	Share (%)	Year	Information
PT Paramata Indah Lestari (PIL)	30.30	2009	ESS acquires a 2x5MW PPA
Henry Maknawi	14.31	2010	Begins the construction of a power plant
Jeanny Maknawi Joe	8.07	2012	BTL acquires a 3x3.3MW PPA
Johan Maknawi	6.28		Begins construction of a power plant
Eddy Maknawi	5.02		
Myrna Agustin A. R.	4.30	2016	ESS completes construction of its power plant
Ratna Maknawi	3.87		Commercial operation date (COD) begins (tariff: IDR1,210/kWh)
Jimmy Chandra	1.82		
Rusmin Cahyadi	1.50	2017	ESS changes and signs a new PPA: 3x7MW
Rusita	1.47		BTL was included under KEEN's banner
Giat Widjaja	1.02	2018	Prior to the PPA change, the new COD starts with tariffs of 8.6 cents/kWh
Ir Djoni Arijanto Agung	0.74		
Bachtiar	0.55	2019	KEEN acquires the Madong mini-hydro power plant with a 10MW capacity PPA
Agha Indra Arbina	0.38		
PT. Tirta Energi Sentosa (TES)	0.38		
Subtotal	80.0		
Public	20.0		
Total	100.0		

Source: Company data, RHB

Source: Company, RHB

Figure 3: Maknawi family ownership under KEEN and PIL

Names	KEEN (%)	PIL (%)
Henry Maknawi	26.43	40.0
Wilson Maknawi*	12.12	40.0
Jeanny Maknawi Joe	8.07	-
Johan Maknawi	6.28	-
Albert Maknawi*	6.06	20.0
Eddy Maknawi	5.02	-
Ratna Maknawi	3.87	-
Total	67.85	100.0

Note: *Indirectly

Source: Company data, RHB

Subsidiaries' profiles

ESS

Also known as the Pakkat project, ESS was KEEN's first operational hydropower plant. It is located in Northern Sumatra's Pakkat District. The company holds a 75% stake in ESS. In early 2019, KEEN sold 25% of its stake to Chugoku Electric Power (7504 JP, NR), a leading Japanese power company in the Chugoku area.

ESS began its commercial operation date (COD) in Apr 2016 after obtaining a PPA in 2009. Initially, the agreement with PLN was to supply 10MW of electricity in total, but this was revised to 18MW in Sep 2017. The new contract with PLN started from 2018, with a tariff of 8.6 US cents per kWh from IDR1,210 per kWh, or 8.5 US cents per kWh.

Using the RoR plant type, ESS utilises the flow of the Sirahar River to ensure stable electricity generation. The PPA duration is 30 years – from Feb 2018 – via a BOOT scheme. Pakkat's tariff is divided into four components:

- i. A for capital costs recovery;
- ii. B for fixed operations & maintenance (O&M) costs;
- iii. C for water and other charges;
- iv. D for variable O&M costs.

Components B and D are subject to escalation, based on inflation and exchange rate movements. Excess production will be sold to PLN using only component A of the tariff scheme.

Figure 4: Pakkat's tariff breakdown

Levelised tariffs (cents/kwh)	8.60	Contribution (%)
Component A (Capital costs recovery)	7.86	91.4
Component B (Fixed O&M)	0.64	7.4
Component C (Water and other charges)	0.06	0.7
Component D (Variable O&M)	0.04	0.5

Source: Company data, RHB

Figure 5: Project Pakkat (ESS) plant details

Description	Unit	Data
Net head	m	138
Maximum output	MW	18.9
Contract capacity	MW	18
Plant utilisation rate (2018)	%	81
Annual utilisation	Hours	6,745
Exclusive committed energy	GWh/year	94.8
Actual energy production (2018)	GWh/year	128
Levelised base tariff	Cents (US)	8.6
Generator	kV	3 x 8.750
Power Factor		0.8
Transmission capacity		Medium voltage air channel 20kV
Transmission Length	km	±2.5km
Connection Point		Switching station PLN at Purba Bersatu Village

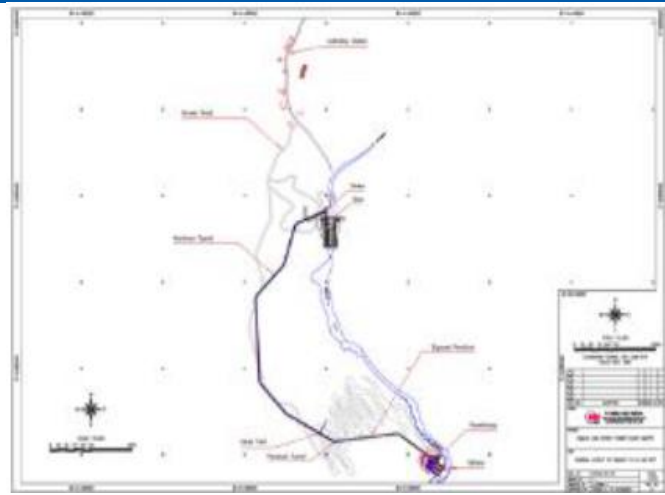
Source: Company data, RHB

Figure 6: Pakkat's location



Source: Company, RHB

Figure 7: Pakkat project's layout



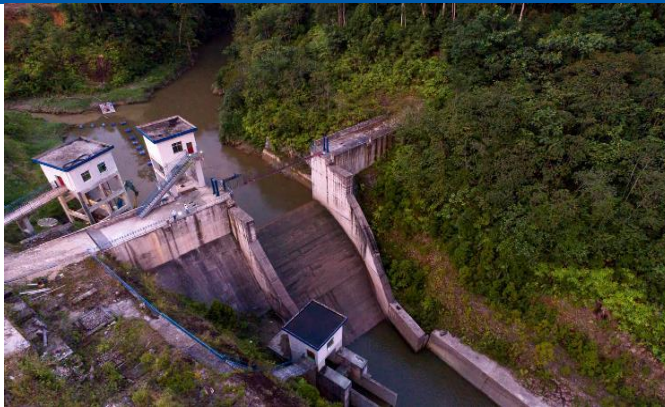
Source: Company, RHB

Figure 8: Pakkat site – an aerial view



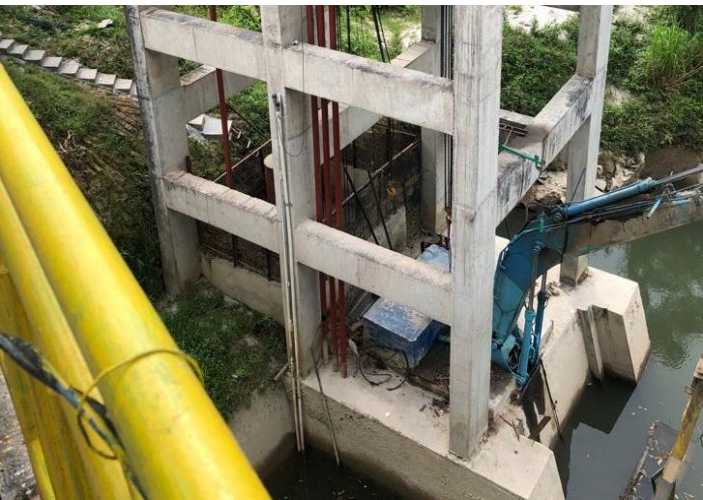
Source: Company, RHB

Figure 9: Pakkat dam



Source: Company, RHB

Figure 10: Pakkat project's infrastructure I



Source: RHB

Figure 11: Pakkat project's infrastructure II



Source: RHB

Figure 12: Pakkat project's infrastructure III



Source: RHB

Figure 13: Project Pakkat turbine



Source: RHB

BTL

Also known as the Air Putih project, BTL is located in Bengkulu, South-West Sumatra. It is KEEN's largest hydropower plant currently, with a total capacity of 21MW. Electricity produced will be sold at a levelled base tariff of 8.45 cents per kWh until 2049 (30 years). KEEN holds a 98.4% stake in BTS.

BTL's COD is scheduled to be in 2H19 with the RoR model – it utilises the current flows of the Ketahun and Air Putih Rivers, which are located in Northern Lebong, Ladang Palembang Village, Bengkulu, to generate electricity.

There is an additional tariff component (E) for Air Putih, given the need to build a transmission line of considerable distance (25.3km) to PLN's connecting point. Component E is not subject to escalation, but is included in the revenue calculation for excess electricity production. Other than that, the tariff structure resembles that of Pakkat's.

Figure 14: Air Putih tariff breakdown

Levelised tariff (cents/kWh)	8.45	Contribution (%)
Component A (Capital costs recovery)	6.83	80.8
Component B (Fixed O&M)	0.89	10.5
Component C (Water and other charges)	0.04	0.5
Component D (Variable O&M)	0.05	0.6
Component E (Transmission costs)	0.65	7.7

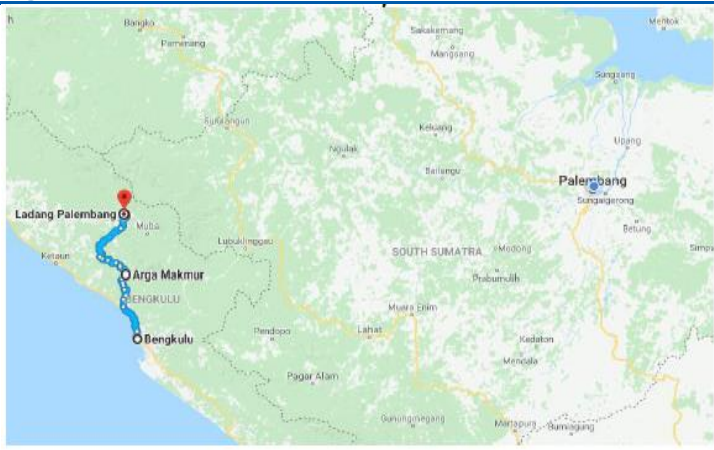
Source: Company data, RHB

Figure 15: Project Air Putih plant details

Description	Unit	Data
Net head	M	36
Maximum output	MW	21.9
Contract capacity	MW	21
Target plant utilisation rate	%	78
Annual utilisation	Hours	6,832
Exclusive committed energy	GWh/year	115.1
Actual energy production	GWh/year	NA
Levelised base tariff	Cents	8.4509
Transmission capacity		High voltage power lines 70kV
Transmission Length	km	±25.3
Connection Point		TESS Substation

Source: Company data, RHB

Figure 16: Air Putih site location



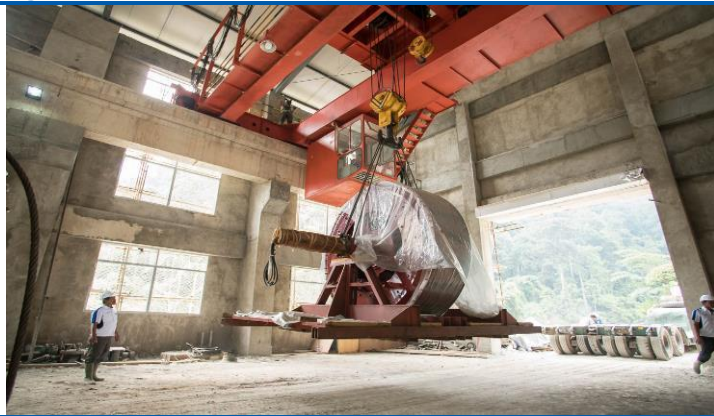
Source: Company, RHB

Figure 17: Air Putih site – an aerial view



Source: Company, RHB

Figure 18: Air Putih turbine powerhouse



Source: Company, RHB

Figure 19: Air Putih dam



Source: Company, RHB

Figure 20: Air Putih tunnel system



Source: Company, RHB

14 October 2019

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NDHM

Also known as the Madong project, NDHM is KEEN's latest renewable energy project – it has a total capacity of 10MW. KEEN is contemplating increasing the capacity of the Madong plant to 16.5MW (3x5.5MW). The Madong project, in which KEEN owns a 74.44% stake, is located in North Toraja, South Sulawesi.

In 2018, KEEN indirectly acquired NDHM's PPA as part of its inorganic expansion plan to grow its renewable energy portfolio. Unlike ESS and BTL, which have 30-year contracts with PLN, the PPA for the Madong project is for 20 years from the expected COD in 1Q22 under the build-own-operate (BOO) format.

Madong is considered a mini-hydro power plant (capacity of 10MW or lower), so its PPA is shorter than the contracts for hydro-type power plants. Madong also uses the RoR method, which utilises water taken from Maiting River to generate electricity.

Figure 21: Details of the Madong plant

Description	Unit	Data
Start construction target		3Q19
Target construction complete		4Q21
Target commercial operation date		1Q22
Maximum output	Mw	10
Plant Utilisation target	%	70%
Annual utilisation target	Hours	6,132
Annual energy production	GWh/year	61.3
Levelised base tariff	IDR/kWh	Year 1 - 8: IDR1,320 Year 9 -20: IDR1,020

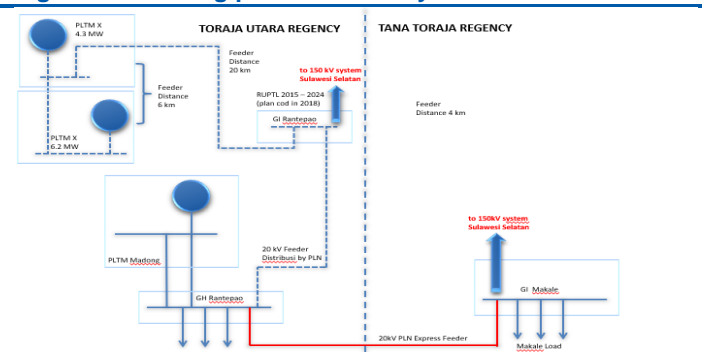
Source: Company data, RHB

Figure 22: Overview of the Madong project



Source: Company, RHB

Figure 23: Madong plant – electricity network



Source: Company, RHB

Figure 24: Madong powerhouse



Source: Company

Figure 25: Madong access road



Source: Company, RHB

Benefits of RoR-type hydropower generation

In RoR hydropower generation, KEEN uses the continuous flow of the river to generate electricity – which is expected to result in more stable electricity generation. This, in turn, should translate to more stable cash flow generation for the company.

The continuous flow of the river in the power plant's areas has been tracked and studied by geologists for at least 50 years, to ensure stable water flow for the facility.

Figure 26: Location of KEEN's three power plants



Source: Company

14 October 2019

Alternative Energy | Energy

Financial Performance

Three sources of revenue

KEEN's revenue sources comprise:

- i. **Construction revenue.** Here, KEEN recognises construction revenue based on the percentage of completion from each power plant project. Once construction is completed, there should be no more construction revenue to be recorded, and the company should begin recording concession interest income and electricity sales.

In 2018, KEEN recorded construction revenue of USD16.9m (-31% YoY). We believe this was due to a drop in construction revenue booked, as construction of these power plants is almost completed. On the other hand, KEEN will also recognise construction income from the Madong plant in 2019-2021. Note that the construction revenue accounted for 64% of the company's total revenue in 2018.

Figure 27: Construction progress of KEEN's projects

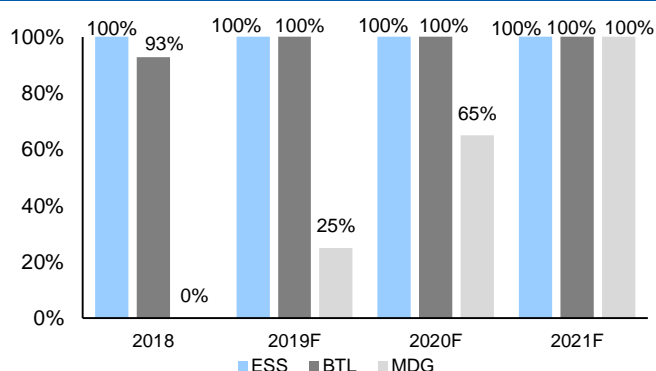
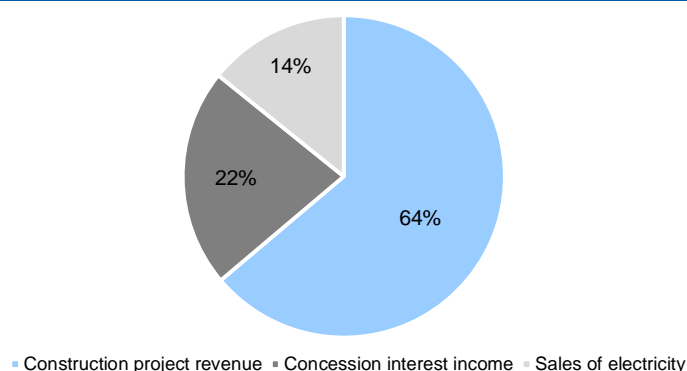


Figure 28: 2018 revenue breakdown



Source: Company data, RHB

Source: Company data, RHB

ISAK no.16 and ISAK no. 22 applications. The company recognises its concessions by the Standard Interpretation of Financial Accounting (ISAK) no. 16 and 22 on recognising concession services. This requires the plants constructed by KEEN to be classified as an unbilled financial asset from service concessions, rather than as a fixed asset. This asset is regarded as unbilled because it represents future receipts that KEEN will deem as revenue, once it begins supplying electricity.

Figure 29: Unbilled financial assets from service concession project

(In USD)	31 Mar 2019	31 Dec 2018	31 Dec 2017	31 Dec 2016
Future minimum capacity receipts:				
Not later than 1 year	13,909,327	11,756,531	7,202,968	4,475,279
Later than 1 year but not later than 5 years	64,248,490	64,248,490	64,248,489	55,389,335
Later than 5 years	390,614,720	394,630,195	406,386,781	422,448,904
Total future minimum capacity receipts	468,772,537	470,635,272	477,838,238	482,313,518
Less unearned financial income	230,971,805	232,409,826	237,632,735	243,427,763
Less amount due for construction	5,274,364	8,251,876	25,719,062	50,347,867
Present value of future capacity receipts	232,526,368	229,973,570	214,486,441	188,537,888
Less current portion	3,138,665	2,648,700	1,397,420	-
Non-current portion	229,387,703	227,324,870	213,089,021	188,537,888

Source: Company data, RHB

The reason why ISAK No. 16 applies to this case is that the project was contracted under the BOOT scheme, which requires the plant to be handed over to PLN by the end of the PPA.

Figure 30: International Standard of Financial Accounting no 16

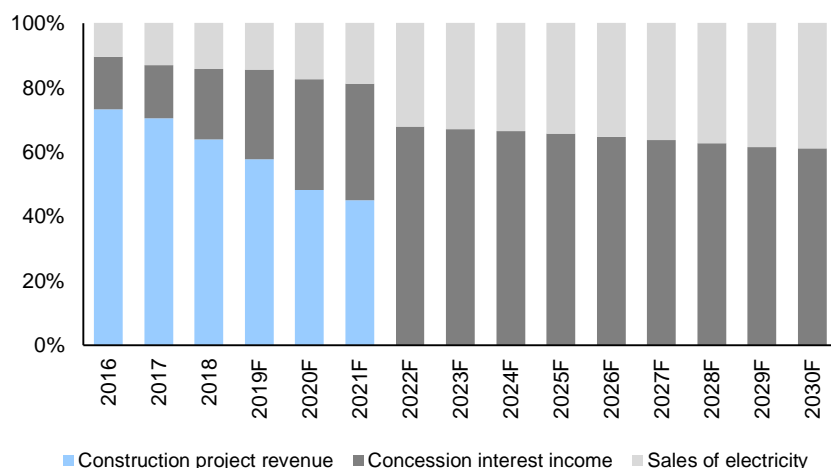
Article	Key Points
2	♦ The Government introduced service contracts to attract the private sector to construct, finance, operate and maintain public infrastructure
3	♦ Operators are obliged to submit the infrastructure to the concession grantor by the end of the contract
4	♦ The interpretation of the accounting standard is directed to service concession contracts from a state-owned company to a private company
11	♦ The infrastructure shall be recognised not as a fixed asset
15	♦ Operators that execute construction services will receive receivables accounted for as financial assets or intangible assets, which are accounted from the projects' fair values
13	♦ Operators shall acknowledge revenue from the unbilled financial asset's fair value

Source: Indonesian Government, RHB

ii. **Concession interest income.** Under ISAK article 13, operators of public infrastructure must acknowledge revenue from the unbilled financial asset's fair value. In KEEN's case, as it is regarded public infrastructure and will be transferred to the government by the end of the PPA. The plant is considered a financial asset, in which the company receives interest income from the asset, rather than books depreciation on it.

The interest income is retrieved from the net present value of the PPA itself, calculating the potential revenue and amortising it accordingly. As the Madong project construction is slated to be completed in 2021, we expect to see more contributions from this segment ahead. Interest income segment accounted for 22% of KEEN's revenue in 2018, but we expect this to grow to 32-34% once the Madong plant is completed.

Figure 31: KEEN's revenue breakdown (2016-2030F)



Source: Company data, RHB

iii. **Electricity sales.** Under this segment, KEEN booked revenue of electricity sales based on the total volume of electricity delivered to PLN.

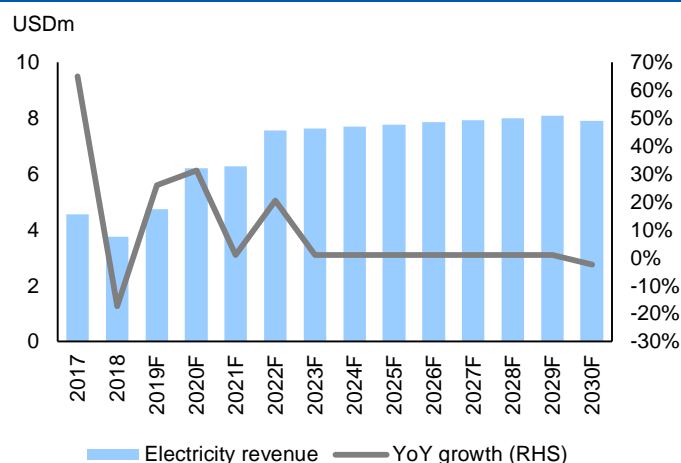
In 2018, electricity sales revenue only accounted for 14% of total KEEN's FY18 revenue, but note that this is as both BTL and NHDM are still under construction. Only ESS has delivered electricity to PLN (COD in July 2019).

We expect contributions from electricity sales to grow going forward, as the Air Putih project (BTL) should begin delivering electricity in 2H19.

14 October 2019

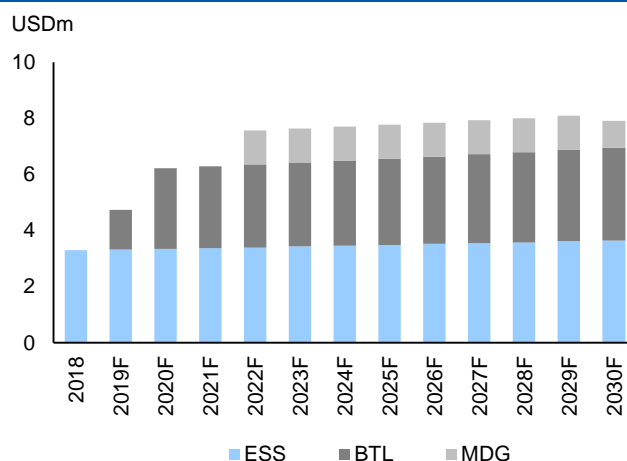
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Figure 32: KEEN's electricity revenue vs YoY growth



Source: Company data, RHB

Figure 33: KEEN's electricity revenue breakdown



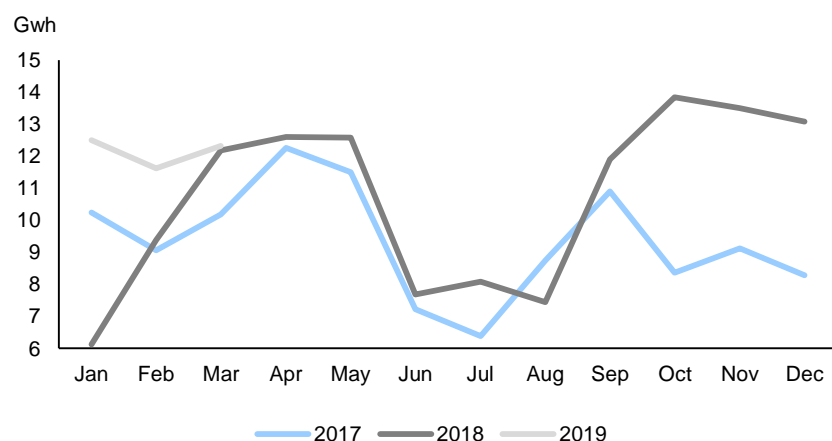
Source: Company data, RHB

Are there seasonal factors?

Based on our latest discussion with management, typically, during the summer season in 2Q-3Q, the flow of the river to the power plants is at its lowest, resulting in lower electricity delivered to PLN. However, this will be offset by volumes during 4Q-1Q, when the rainy season occurs.

Note that ESS has been delivering volume above the contracted amount to PLN, indicating that the river flow is adequate to bring more than enough electricity to the state-owned electricity company, despite the impact of the summer season on water volumes in 2Q-3Q.

Figure 34: ESS' monthly electricity production



Source: Company data, RHB

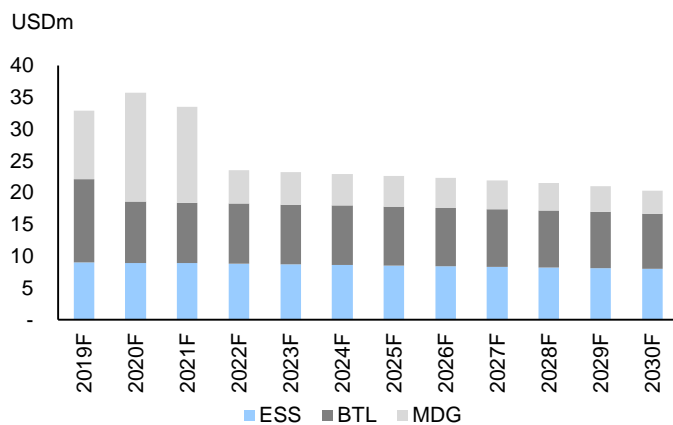
Stable cash flow

We expect to see more stable cash flow ahead for KEEN, once the BTL and Madong projects begin operations. BTL should commence operations in 2H19, and is expected to provide 135GWh of electricity pa to PLN. Madong, once operational, is estimated to deliver 61.3GWh of electricity, and generate net income of USD5.7m pa.

14 October 2019

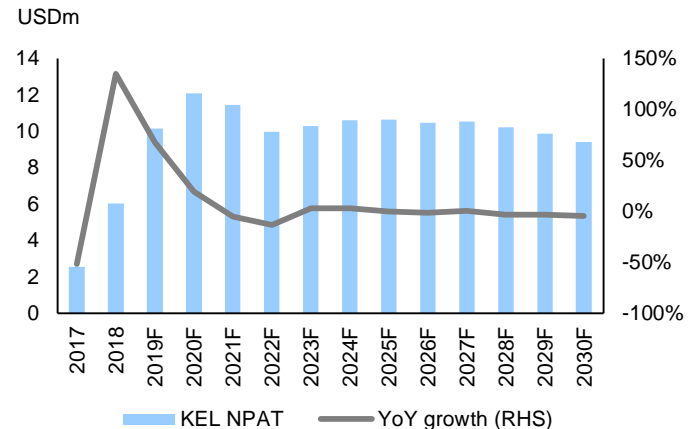
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Figure 35: KEEN's revenue contributions



Source: Company, RHB

Figure 36: KEEN NPAT vs YoY growth

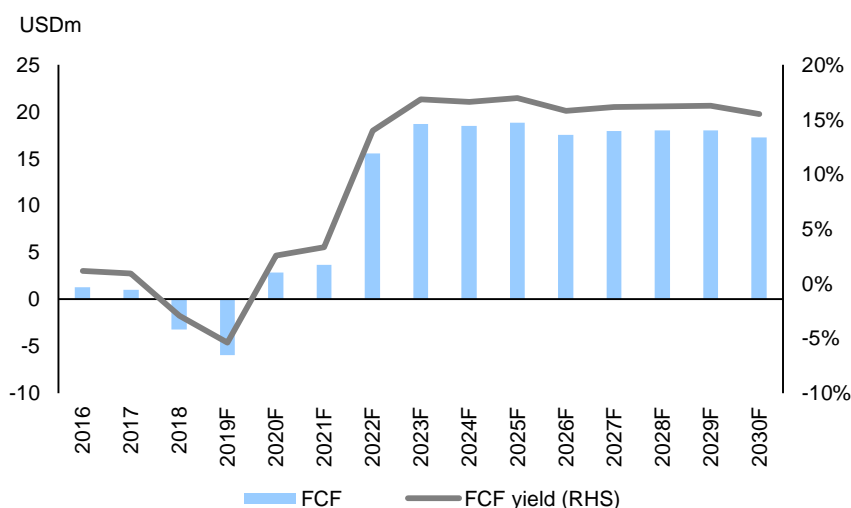


Source: Company, RHB

Once the remaining projects are operational, we believe KEEN will have solid cash flow to participate in more renewable energy projects, or acquire new projects in the future.

We expect FCF to increase to USD18m in 2023F (when Madong begins operations), with FCF yield at 18%. This is likely to provide ample opportunities to grow its renewable energy portfolio.

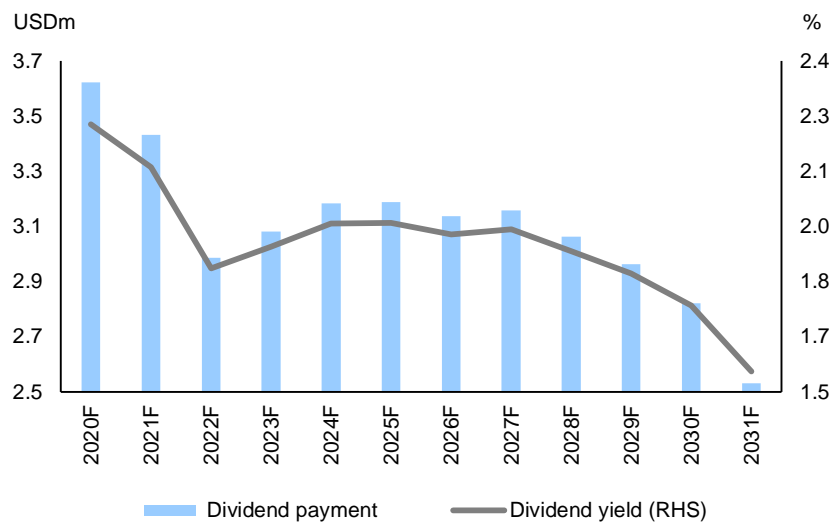
Figure 37: KEEN's free cash flow and free cash flow yield



Source: Company data, RHB

With stable recurring income going forward, KEEN is expected to constantly distribute dividends at the maximum 30% of the previous year's total earnings. In our model, we expect a yearly dividend payout ratio of 30%, which translates to a yield of around 2-3%, but this could increase once the company is able to add more renewable projects to its portfolio.

Figure 38: KEEN's dividend yield projections



Source: Company data, RHB

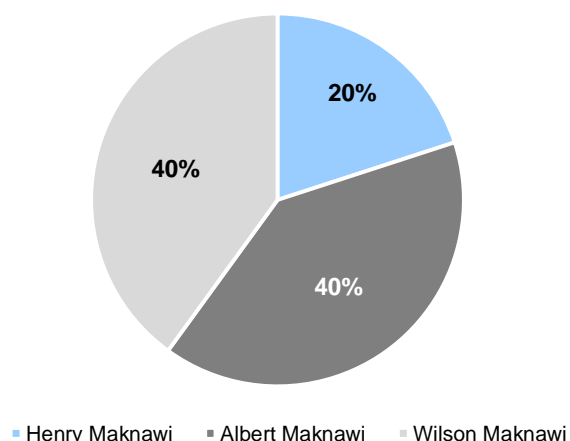
IPO gains to enable it to expand into more renewable energy projects

KEEN's IPO (on 2 Sep) proceeds of USD20.5m should garner it enough funding to expand its renewable energy portfolio, with the biggest portion (55%) of the fund earmarked for the development of renewable energy projects. KEEN has eyed several hydropower projects totalling 200MW. In the near term, it is set to embark on projects that it has planned with its parent company, PIL.

According to the plan, KEEN will invest in PIL subsidiaries that have already passed PLN's pre-qualification requirements and can be included in the shortlist of electricity providers (DPT). As such, they would be able to compete in bidding for PLN's future power supply projects.

In June, investors agreed to allow KEEN to inject shares gradually into PIL's subsidiaries, to hold a minimum 70% stake. Currently, PIL is in the process of obtaining three PPAs from PLN for three renewable projects that are also included in the Government's latest electricity supply business plan (2019 RUPTL).

Figure 39: Breakdown of PIL's ownership



Source: Company data, RHB

Figure 40: Initial investor agreement between PIL and KEEN

The Parties	PT Paramata Indah Lestari
	PT Kencana Energi Lestari
Agreement	Both parties have agreed on an investment plan that will be done by KEEN, for several subsidiaries of PIL, based on the following agreement:
	♦ The investment scheme will be done by KEEN through the issuance of new shares and/or acquisition of PIL's shares in subsidiaries.
	♦ The minimum ownership that KEEN is required to meet is 70%.
	♦ The investment made by the KEEN can be done gradually, where the first investment made is at the minimum which will be increased after the power purchase agreement (PPA) with the state-owned PLN has been signed by PIL subsidiaries.
Timeline	♦ All the investment plan made by KEEN will be based on the approved capital market protocol.
	The agreement will be continuous, since it is signed by both parties, and will end based on both parties' agreement
Important clause	♦ KEEN has been listed on the Indonesia Stock Exchange.
	♦ There has been due diligence done by KEEN, with satisfactory results.
	♦ Both parties have obtained each other's approval, including but not limited to: internal corporation agreement, and/or third-party approval and or institutions.
Termination	♦ Investment value owned by KEEN on PIL's subsidiaries will be set after due diligence has been made by the former.
Governing Law	Termination of the agreement has to be issued by both parties, at the latest at 30 days before the end of the agreement Republic of Indonesia

Source: Company data, RHB

14 October 2019

Alternative Energy | Energy

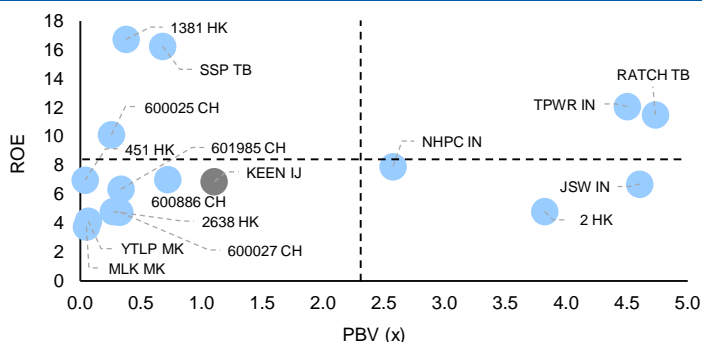
Valuation

TP of IDR780 derived from 1.3x 2020F P/BV

Our 12-month TP of IDR780 is derived from 1.3x 2020F P/BV – which is undemanding, when compared against the market average of 2.3x (ie at a 57% discount). Our assumption is justified, on KEEN's stellar operational ability, proven by its relatively high net margins vs peers (second only to Thailand's Semsang Power). Also, the TP reflects our positive view on its potential future projects, which are likely to be contracted and developed in South Sulawesi (75MW and 90MW) and North Sumatera (35MW).

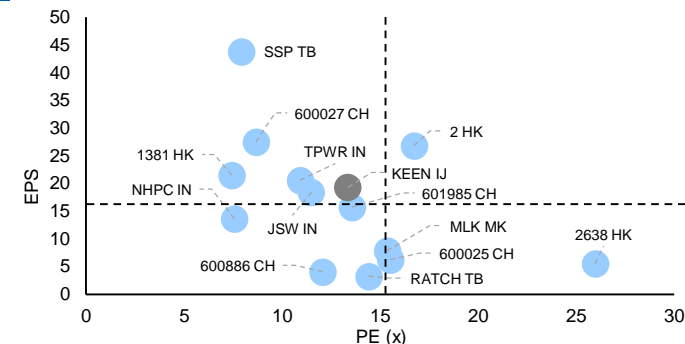
KEEN, as an operator of wholly green power plants, stands a high chance of being included in ESG indices, as its business is in line with the shifting trend in investment policies, ie more global funds are putting greater focus on companies that are compliance with ESG standards. An Invesco report said that, in a survey with over 60 sovereign funds as respondents, 60% invested in companies with ESG policies (2018: 46%). With this in mind, we believe the premium over KEEN's base book value (2020F: 1.05x - current price) is fair. Our BUY call is also premised on the fact that the company is still expanding, which implies that should be further net growth in the near future.

Figure 41: Sector P/BV vs ROE (2020F)



Source: Company data, RHB

Figure 42: Sector P/E vs EPS growth (2020F)



Source: Company data, RHB

Figure 43: Regional peer comparison (2019F)

No.	Company Name	Bloomberg Ticker	Market cap (USDm)	2019F							
				EPS growth (%)	Net Margin (%)	PER (x)	PEG (x)	EV/EBITDA (x)	PBV (x)	ROE (%)	Dvd yield (%)
1	CLP Holdings	2 HK	26,146	(28.7)	6.9	21.2	(0.7)	11.4	3.8	4.8	3.8
2	China National Nuclear Power	601985 CH	11,515	10.9	11.8	15.7	1.4	10.8	0.3	6.3	2.5
3	Huaneng Lancang	600025 CH	10,673	(19.7)	23.2	16.5	(0.8)	11.0	0.3	10.1	3.2
4	SDIC Power Holdings	600886 CH	8,551	11.8	11.6	12.5	1.1	8.0	0.7	7.0	2.7
5	HK Electric Investments	2638 HK	8,406	(21.2)	21.5	27.4	(1.3)	15.2	0.3	4.8	4.3
6	Huadian Power International	600027 CH	4,078	145.5	3.5	11.0	0.1	6.6	0.3	4.8	3.9
7	Ratch Group	RATCH TB	3,333	23.0	15.7	14.9	0.6	17.5	4.7	11.5	3.7
8	NHPC Limited	NHPC IN	3,116	5.0	29.9	8.6	1.7	7.5	2.6	7.9	6.7
9	Tata Power	TPWR IN	2,258	(46.9)	7.2	13.2	(0.3)	9.3	4.5	12.1	2.2
10	JSW Energy	JSW IN	1,449	860.0	8.0	13.6	0.0	6.8	4.6	6.7	1.7
11	YTL Power International	YTLP MK	1,419	(13.7)	4.9	11.4	(0.8)	7.7	0.1	4.1	5.7
12	Canvest Environmental	1381 HK	1,058	22.8	20.7	9.0	0.4	7.9	0.4	16.7	1.8
13	Malakoff	MLK MK	985	(9.6)	3.5	16.6	(1.7)	5.1	0.1	3.7	5.7
14	GCL New Energy Holdings	451 HK	657	66.7	11.3	6.6	0.1	7.1	0.0	7.0	0.0
15	Sermsang Power	SSP TB	233	30.8	41.0	11.4	0.4	12.7	0.7	16.2	3.0
16	Kencana Energi Lestari	KEEN IJ	161	67.8	30.8	15.9	0.2	9.9	1.1	6.9	-
				11.6	12.9	17.5	(0.1)	10.8	1.9	6.7	3.5

Source: Bloomberg, RHB

Figure 44: Regional peer comparison (2020F)

No.	Company Name	Bloomberg Ticker	Market cap (USDm)	2020F							
				EPS growth (%)	Net Margin (%)	PER (x)	PEG (x)	EV/ EBITDA (x)	PBV (x)	ROE (%)	Dvd yield (%)
1	CLP Holdings	2 HK	26,146	26.8	13.5	16.7	0.6	10.0	4.9	9.7	4.0
2	China National Nuclear Power	601985 CH	11,515	15.7	12.3	13.6	0.9	9.7	0.4	7.4	2.8
3	Huaneng Lancang	600025 CH	10,673	6.2	24.6	15.5	2.5	10.4	0.3	10.7	3.4
4	SDIC Power Holdings	600886 CH	8,551	4.0	11.9	12.0	3.0	7.7	0.7	7.3	2.9
5	HK Electric Investments	2638 HK	8,406	5.5	22.0	26.0	4.7	14.9	0.3	5.0	4.3
6	Huadian Power International	600027 CH	4,078	27.5	4.4	8.7	0.3	5.9	0.4	6.1	4.4
7	Ratch Group	RATCH TB	3,333	3.3	15.9	14.4	4.4	17.0	4.9	11.7	3.9
8	NHPC Limited	NHPC IN	3,116	13.7	30.9	7.5	0.6	7.0	2.9	8.9	7.3
9	Tata Power	TPWR IN	2,258	20.5	4.7	10.9	0.5	9.1	5.4	8.1	2.6
10	JSW Energy	JSW IN	1,449	18.4	9.4	11.5	0.6	5.7	5.5	8.0	2.2
11	YTL Power International	YTLP MK	1,419	(1.5)	4.7	11.6	(7.9)	7.7	0.1	4.0	5.8
12	Canvest Environmental	1381 HK	1,058	21.5	19.4	7.4	0.3	7.1	0.5	19.5	2.2
13	Malakoff	MLK MK	985	7.8	3.8	15.4	2.0	2.9	0.1	4.0	5.9
14	GCL New Energy Holdings	451 HK	657	NA	11.5	6.6	-	7.2	0.0	6.7	-
15	Sermsang Power	SSP TB	233	43.8	40.7	7.9	0.2	9.4	1.0	23.3	4.9
16	Kencana Energi Lestari	KEEN IJ	161	19.3	33.8	13.4	0.7	8.7	1.0	7.8	2.2
				15.6	15.3	15.2	1.5	9.9	2.3	8.6	3.7

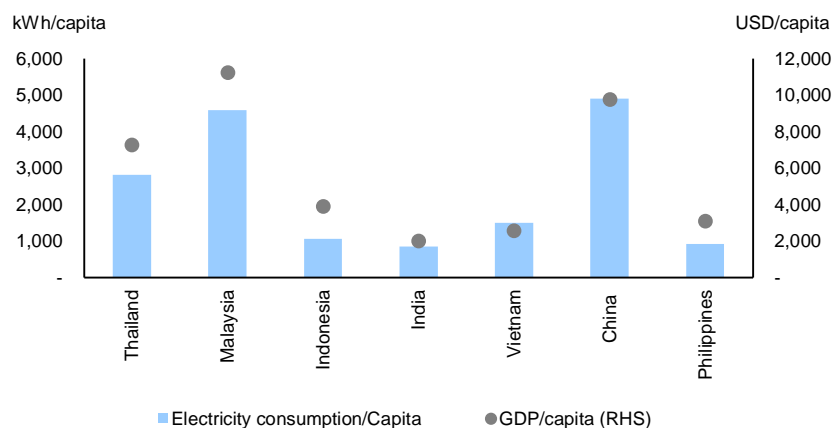
Source: Bloomberg, RHB

Industry Overview

Key beneficiary of Indonesia's growing electricity consumption

Despite the great acceleration in electricity consumption over the past five years, Indonesia consumed only 1,064 kWh per capita, which is still below its regional peers. National electricity consumption has been growing at a CAGR of 4.6% in the past five years, and increased by 5.1% in 2018 to 234PWh.

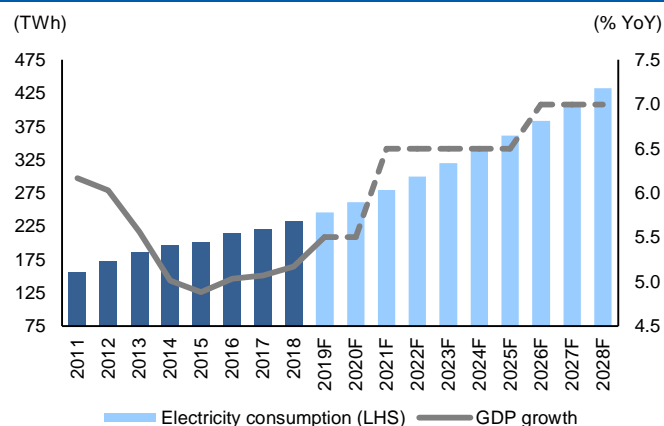
Figure 45: Electricity consumption vs GDP per capita



Source: Company data, RHB

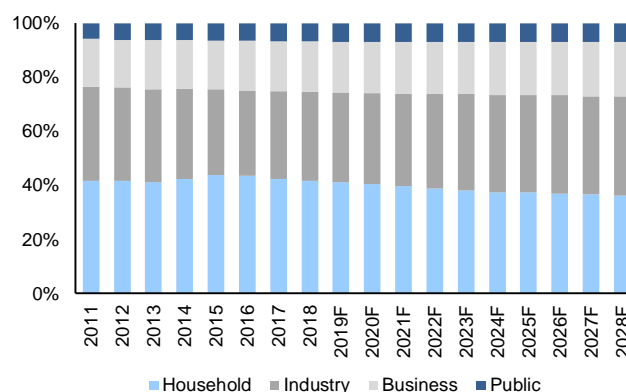
We believe the problem is on the supply side, as the most eastern areas in Indonesia still have a low electrification ratio. As the Government targets additional electricity generation capacity of 56.4GW over 2019-2028, we believe this will translate to an acceleration in Indonesia's electricity consumption per capita. Note that the Government targets Indonesia's electricity consumption per capita to grow to 2,500 kWh per capita, from 1,064kWh in 2018.

Figure 46: Electricity demand vs GDP growth



Source: PLN, RHB

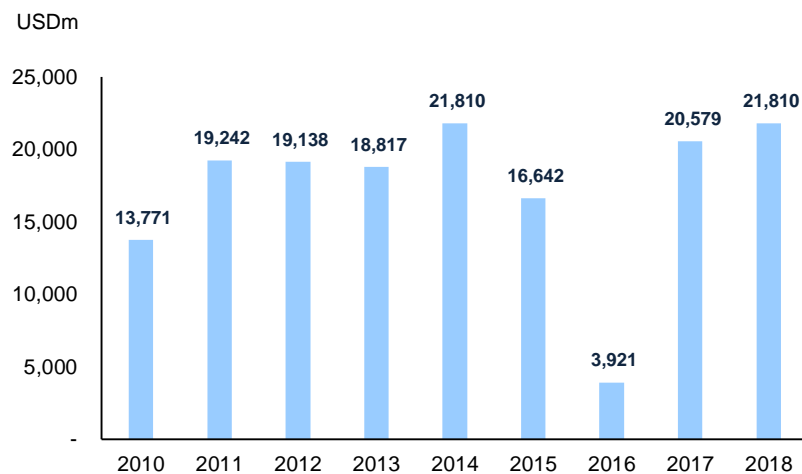
Figure 47: Electricity demand per sector



Source: PLN, RHB

Prior to President Joko Widodo becoming the president, we saw lower demand for energy from the manufacturing sector – which contributed to the slow growth during 2015-2018. Current consumption from the industrial sector accounts for 32% of total electricity usage, ie second largest after households. We believe electricity consumption from the industrial sector will ramp up, spurred by an increase in foreign direct investments. This should also boost Indonesia's GDP growth in the future – which would translate to further investments in power plant projects in the country.

Figure 48: Indonesia's FDI trend

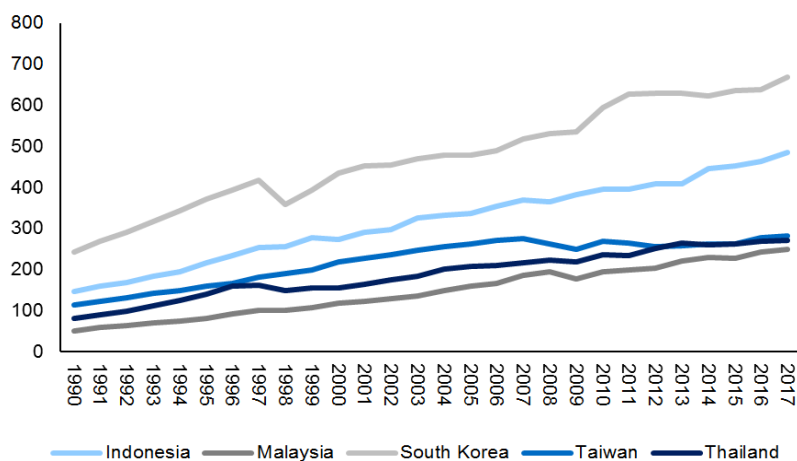


Source: Bloomberg, RHB

Renewable energy – how far behind are we?

Growing concerns on global CO₂ emissions have triggered increasing investments in renewable energy projects, including in Indonesia. The Indonesian Government's commitment in mitigating climate change is stipulated in the Presidential Regulation No. 61/2011 regarding the National Action Plan for greenhouse gases (GHG) emission reduction.

In 2016, Indonesia joined the ratification of the Paris Agreement as a commitment to reduce its greenhouse gas emissions by 29%, by 2030. One of the programmes to achieve the emission reduction target is to boost the contribution of renewable energy – which is incorporated in PLN's target, where it expects to build 14.3GW of renewable capacity by 2025.

Figure 49: South-East Asian countries' CO₂ emissions

Source: Enerdata, RHB

Currently, fossil-sourced power still accounts for the majority of Indonesia's energy share with an installed capacity of 89%. The largest contribution comes from coal (63%), followed by gas (21%), oil (4%), and others (1%). On the other hand, renewable energy occupied the remaining 11%, with water-powered sources coming in first (6%) and geothermal second (5%). Based on PLN's target in the 2019-28 RUPTL, we expect to see significant changes in the proportions, with coal usage decreasing, supplanted by geothermal and water sources.

Figure 50: Electricity sources (2019)

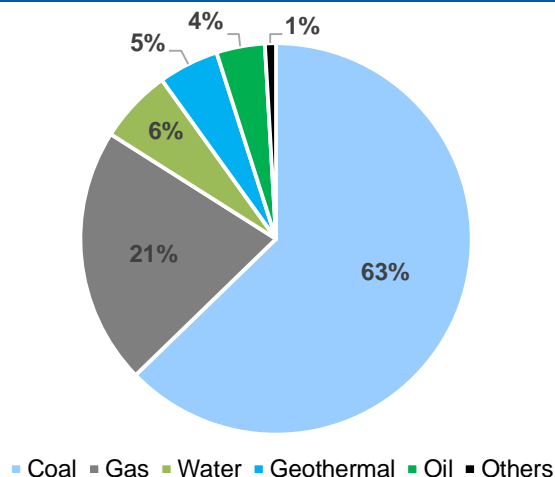
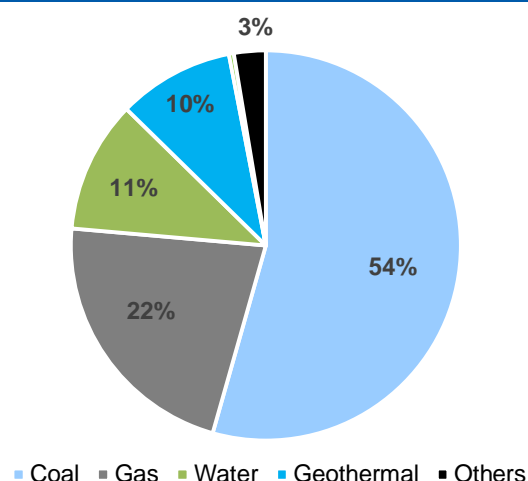


Figure 51: Electricity sources (2028F)



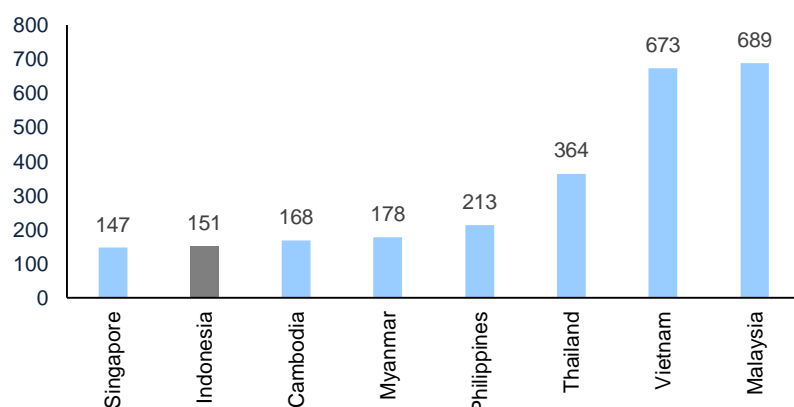
Source: PLN, RHB

Source: PLN, RHB

Indonesia's renewable energy consumption per capita is the lowest among its Asian peers, due to underinvestment in this segment in the past.

Figure 52: Asian countries' renewable energy consumption per capita

(kWh/capita)



Source: International Renewable Energy Agency (IRENA), RHB

In 2017, in order to boost investment in renewable energy, the Indonesian Government issued a regulation that prioritised new and renewable energy, in order to achieve its targeted renewable energy mix.

The Government will provide support in the form of:

- i. Fiscal incentives;
- ii. Licensing and non-licensing relief;
- iii. Feed-in tariffs for new and renewable energy resources;
- iv. Establishment of a separate business entity to generate energy from new and renewable sources for sale to PLN;
- v. Specific subsidies for new and renewable energy.

The regulation also states that renewable power projects can be developed in nature reserves and natural conservation areas – if they are in line with prevailing laws and regulations.

Figure 53: PLN's purchase prices for renewable energy

Power Type	Condition	Tariff Range
Solar (PLTS Fotovoltaik)	Local BPP > National BPP	≤ 85% from local BPP
	Local BPP ≤ National BPP	according to agreement
Wind (PLTB)	Local BPP > National BPP	≤ 85% from local BPP
	Local BPP ≤ National BPP	according to agreement
Hydro (PLTA)	Local BPP > National BPP	≤ Local BPP
	Local BPP ≤ National BPP	according to agreement
Biomass (PLTBm)	Local BPP > National BPP	≤ 85% from local BPP
	Local BPP ≤ National BPP	according to agreement
Biogas (PLTBg)	Local BPP > National BPP	≤ 85% from local BPP
	Local BPP ≤ National BPP	according to agreement
Waste (PLTSa)	Local BPP > National BPP	≤ Local BPP
	Local BPP ≤ National BPP	according to agreement
Geothermal (PLTP)	Local BPP > National BPP	≤ Local BPP
	Local BPP ≤ National BPP	according to agreement
Marine (PLTA)	Local BPP > National BPP	≤ 85% from local BPP
	Local BPP ≤ National BPP	according to agreement

Note: BPP = reference benchmark prices

Source: Ministry of Natural Resources and Minerals, RHB

Figure 54: Regional and national BPPs for electricity (continued on page 24)

Region	IDR/kWh	USDc/kwh
Sumatra		
North Sumatra		
Aceh	1,673	11.74
Weh island	2,303	16.16
Simeuleu Island	2,650	18.60
North Sumatra	1,451	10.18
Nias	3,041	21.34
Central and South Sumatra		
West Sumatra	1,058	7.43
Mentawai Islands	3,041	21.34
Riau and Riau Islands		
Riau	1,655	11.61
Riau Islands		
Bintan	1,786	12.53
Tanjung Balai Karimun	2,110	14.81
Natuna	2,239	15.71
Anambas	2,267	15.91
South Sumatra, Jambi, Bengkulu	1,061	7.45
Enggano Islands	3,041	21.34
Lampung	1,039	7.29
Bangka	2,681	18.82
Belitung	1,799	12.63
Other Sub-System	3,041	21.34
Java and Bali		
Jakarta	985	6.91
Seribu Islands	1,164	8.17
Banten	985	6.91
Panjang Island	3,041	21.34
West Java	984	6.91
Central Java	984	6.91
Karimun Jawa	3,041	21.34
Eastern Java	989	6.94
Isolated Madura	3,041	21.34
Bawean	3,041	21.34
Gili Ketapang	3,041	21.34
Bali	985	6.91
Tiga Nusa	2,762	19.39
Other Sub-System	3,041	21.34
Nusa Tenggara		
Western Nusa Tenggara		
Tambora	2,733	19.18
Lombok	2,044	14.35
East Nusa Tenggara		

14 October 2019

Alternative Energy | Energy

<i>Sumba</i>	2,964	20.81
<i>Timor</i>	2,588	18.17
<i>Western Flores</i>	2,504	17.58
<i>Eastern Flores</i>	3,031	21.28
Other Sub-System	3,041	21.34
Kalimantan		
Western Kalimantan	1,525	10.70
South and Central Kalimantan	1,682	11.80
East and North Kalimantan	1,507	10.58
Other Sub-System	3,041	21.34
Sulawesi		
North and Central Sulawesi and Gorontalo		
<i>North Sulawesi (Manado, Gorontalo, Kotamobagu)</i>	1,918	13.46
<i>Toli - Toli</i>	2,894	20.32
<i>Tahuna</i>	2,929	20.56
<i>Palu, Poso</i>	1,171	8.22
<i>Luwuk</i>	2,403	16.87
South, South-East and West Sulawesi		
<i>South Sulawesi</i>	1,175	8.25
<i>Kendari</i>	2,321	16.29
<i>Bau - Bau</i>	2,369	16.63
<i>Selayar</i>	2,445	17.16
Other Sub-System	2,994	21.02
Maluku and Papua		
<i>Ambon</i>	3,010	21.13
<i>Seram</i>	2,971	20.85
<i>Saparua</i>	2,993	21.01
<i>Buru</i>	3,019	21.19
<i>Ternate - Tidore</i>	2,299	16.13
<i>Sanana</i>	2,486	17.45
<i>Bacan</i>	2,674	18.77
<i>Halmahera</i>	2,963	20.80
<i>Daruba</i>	3,041	21.34
<i>Tual</i>	3,041	21.34
<i>Dobo</i>	3,041	21.34
<i>Saumlaki</i>	2,384	16.74
Papua and West Papua		
<i>Jayapura</i>	2,162	15.17
<i>Sarmi</i>	3,041	21.34
<i>Biak</i>	2,389	16.77
<i>Serui</i>	2,882	20.23
<i>Nabire</i>	2,191	15.38
<i>Wamena</i>	3,041	21.34
<i>Timika</i>	2,736	19.21
<i>Marauke</i>	2,593	18.20
<i>Tanah Merah</i>	3,041	21.34
<i>Manokwari</i>	2,018	14.17
<i>Sorong</i>	1,465	10.28
<i>Teminabuan</i>	2,783	19.53
<i>Fak Fak</i>	2,483	17.43
<i>Kaimana</i>	3,041	21.34
<i>Bintuni</i>	1,812	12.72
<i>Raja Ampat</i>	3,041	21.34
Other Sub-System	3,041	21.34
National BPP	1,119	7.86

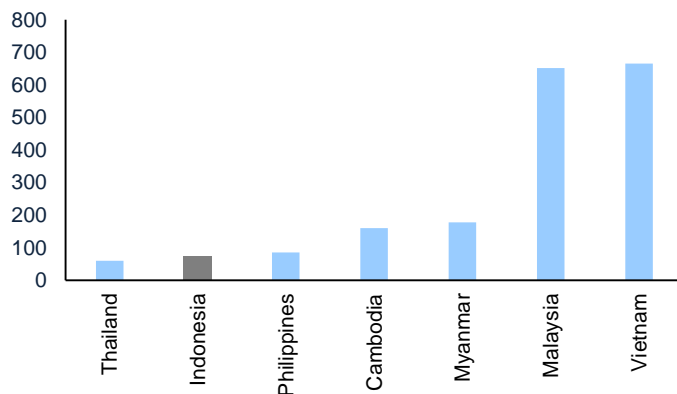
Note: BPP = reference benchmark prices

Source: Ministry of Natural Resources and Minerals, RHB

Hydropower energy in Indonesia

As Indonesia has 800 rivers, the potential for hydropower is estimated to be around 75,000 MW. However, only 4,900 MW can be used as its islands are fragmented, and there are geological changes. Comparing Indonesia's hydropower consumption per capita to its Asian peers, Indonesia's score is the second lowest.

Figure 55: Hydropower energy consumption per capita



Source: RHB

Figure 56: Renewable energy potential in Indonesia

Energy source	Potential (MW)	Installed (MW)	Harnessed
Geothermal	29,544	1,438.5	4.9%
Hydro	75,091	4,826.7	6.4%
Mini-micro hydro	19,385	197.4	1.0%
Bio-energy	32,654	1,671.0	5.1%
Solar	207,898	78.5	0.04%
Wind	60,647	3.1	0.01%
Wave power	17,989	0.3	0.002%

Source: PLN, RHB

The latest data from PLN also revealed that a hydropower plant generates the least operating cost – at an estimated average of IDR309.53 per kWh. Gas turbines are the most expensive, with 10,090 per kWh.

Figure 57: Operating cost per IDR/kWh

Plant type	Fuel	Maintenance	Depreciation	Others	Personnel	Total
Hydro	37.32	47.95	195.66	4.64	23.96	309.53
Steam	613.23	77.86	103.71	2.03	9.88	806.71
Diesel	1,281.73	276.89	170.14	19.05	132.05	1,879.86
Gas Turbine	8003.43	514.05	1455.61	28.64	88.62	10,090.35
Geothermal	1380.43	232.74	339.28	4	23.69	1,980.14
Combine cycle	915.52	30.84	134.84	3.59	10.02	1,094.81
Solar	8.33	1149.89	4544.48	68.13	0	6,269.51
Average	845.94	80.63	140.99	3.51	16.43	1087.5

Source: PLN, RHB

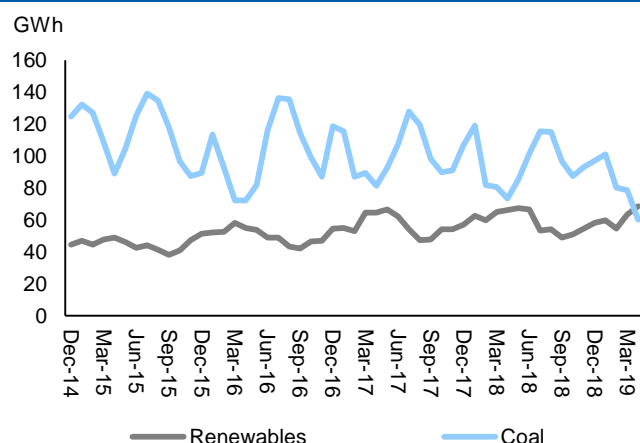
The world is shifting towards renewable energy

Global interest in emissions from fuel energy, following the gradual increase in the population, has increased.

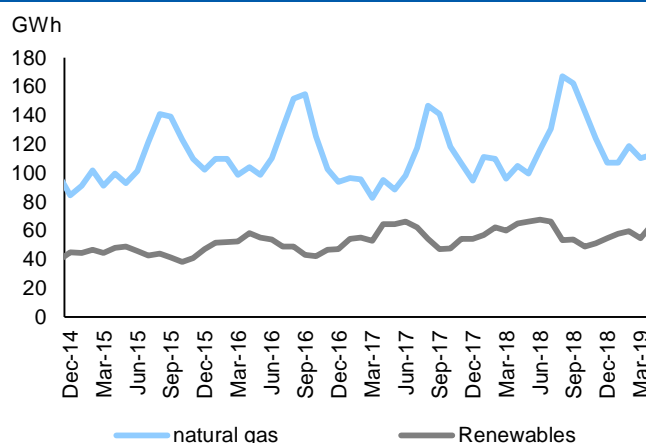
Renewable energy is the key to reduce the high levels of carbon emission. Many developed countries have started reducing the usage of non-renewable energy gradually.

In the US, electricity generation through renewable energy recently surpassed energy produced by coal.

We believe this should be positive for the renewable energy industry, as the world is moving in the same direction, i.e. increasing the usage of renewable energy.

Figure 58: The US' electricity produced from renewable energy vs coal

Source: Energy Information Administration, RHB

Figure 59: The US' electricity produced from renewable energy vs natural gas

Source: Energy Information Administration, RHB

Key market growth drivers and barriers

Population growth. Indonesia has the world's fourth largest population according to the World Bank (266.9m people), therefore electricity usage should reflect this. The Indonesia Bureau of Statistics projects a population of 282.4m by 2025, and 318m by 2045. The continuous climb in this number should also increase the country's need for electricity.

Indonesia's electricity condition. Indonesia's latest electrification ratio is 93%, and the Government's goal is to have this reach 100%. Separately, Indonesia's latest electricity output plan is targeted to increase to 97% by 2028, equal to 500,681 GWh.

PPAs and maintaining ties with customers. The PPA poses as a competitive advantage and barrier to entry. As all power plants in Indonesia only have one customer (PLN), the PPA requires that all power be produced and sold to PLN. KEEN has already acquired PPAs for its two power plants, giving it a competitive advantage. Uncertainty over acquiring further PPAs still looms going forward, as KEEN requires financial closure and support from PLN. In addition, territorial consideration is taken into account in acquiring the PPA.

Technology advancements. KEEN currently uses general technology in its plants, with experienced vendors for operations. Looking forward, KEEN is committed to updating its technological equipment by following trends in Indonesia, and the global markets. Technological advancements in the future may provide better efficiency on electrical production.

Key risks

Generally, KEEN's risks are categorised into three types, as detailed below.

Operational risks include construction risks regarding the hydrology and geology of the site. This category also includes commissioning risks, operational risks within the COD, and the clauses within the PPA.

Financial risks include the company's financial position. This is reflected in the liquidity of the company when funding projects and cost overruns in the construction and commissioning phases. KEEN is also exposed to foreign exchange and interest fluctuation risks. Moreover, the company is also exposed to risks of any future changes in accounting standards.

General risks, as the company is exposed to the changes in macroeconomic conditions if there is an economic downturn. It is also subjected to risk when there are drastic changes in law regarding the company's field of business.

3 October 2019

Alternative Energy | Energy

Figure 60: Board of commissioners










Name	Position	Description
 Albert Maknawi	President Commissioner	Albert Maknawi, an Indonesian citizen, is 38 years old. He has served as President Commissioner since 2018. He is also a Commissioner of the following companies: Listrindo Kencana (2018-present), Belitung Energy (2018-present), Kencana Agro Jaya (2017-present), as well as the President Director of Wira Palm Mandiri (2017-present), Sawit Permai Lestari (2017-present), Mentari Bangun Persada (2017-present), and Citra Megah Kencana (2017-present). He holds a Bachelor of Engineering degree from the University of Melbourne, Australia (2004).
 Sim Idrus Munandar	Independent commissioner	Sim Idrus Munandar, an Indonesian citizen, is 65 years old. He has served as an Independent Commissioner of the company since 2018. He also served as an Independent Director of Kencana Agri (2010-present), Samko Timber (2008-present), and BCA Finance (2012-2016), as well as the President Director of Bina Danatama Finance Tbk (1982-2005). Prior to this, he was a STIE Jayakarta Lecturer (1981-2014), and a senior auditor at Price Waterhouse (1977-1981). He holds a Bachelor of Accounting from the University of Indonesia (1981).
 Freenyan Liwang	Independent Commissioner	Freenyan Liwang, an Indonesian citizen, is 58 years old. He has served as Independent Commissioner of the company since 2019. He also served as Commissioner & Advisor of Gradana Teknoruci Indonesia (2010-present), President Director of Bank Sinar Mas (2010-2017), Deputy CEO at Bank International, China (1994-2010), Bank International Indonesia's new account manager for its credit card centre (1991-2000), a senior quality control officer at Mondial Orient, Jakarta and Cardex Services (Far East), Jakarta (1987-1991), Chief of the Department of Production Control of Tuntex Incorporation, Taiwan and Loyal Systex Garment, Jakarta. He has a Bachelor of Business Administration from the University of Tamkang Taipei, Taiwan.
 Jeanny Maknawi Joe	Commissioner	Jeanny Maknawi Joe, an Indonesian, is 62 years old. She has served as Commissioner of the company since 2018. She is also a Commissioner of Karmolin Perdana (2018-present), Director of Mega Investindo (2018-present), President Commissioner of Kirin Investindo, President Commissioner of Kharisma Alam Sejahtera (2014-present) and President Director of Graha Meruya (2013-present). Previously she served as President Director of Graha Meruya (2013-present), Sumber Karya Kencana (2009-present), and Tomang Maju Perkasa (2006-present). She holds a Bachelor of Accounting from UNAI Collage - Bandung (1976).

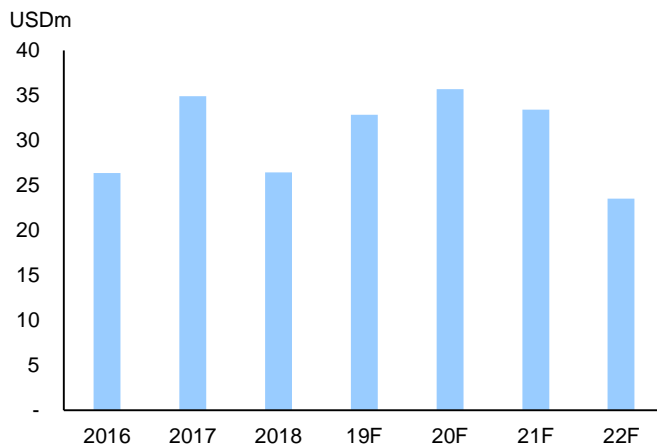
Figure 61: Board of directors

Name	Position	Description
 Henry Maknawi	President Director	Henry Maknawi, an Indonesian citizen, is 64 years old. He has served as the President Director of the company since 2018. He is also the President Director of Makna Alam Sejahtera (2014-present) and Mega Investindo (2013-present), and President Commissioner of Bhaga Surya Kencana (2012-present), Bumi Permai Sentosa (2010-present), Cahaya Permata Gilang (2010-present), Sawit Permai Lestari (2007-present), Wira Palm Mandiri (2007-present) and as the founder and Executive Chairman of Kencana Agri (1995-present).
 Wilson Maknawi	Vice President Director	Wilson Maknawi, an Indonesian, is 32 years old. He has served as Deputy Managing Director of the company since 2018. Previously, he was the Director of Energi Angin Indonesia (2012-present), Kencana Panelindo (2012-present), Bangun Tirta Lestari (2012-present), Energi Sakti Sentosa (2011-present), Eurolifts Group (2011-present), Prasanthi International Indonesia (2010-present), Sumber Karya Kencana (2009-present), and Primerindo Kencana (2009-2017). He holds a Bachelor of Business, specialising in human resources, from Monash University in Australia (2007).
 Rusmin Cahyadi	Director	Rusmin Cahyadi has served as a Director of the company since 2018. Previously he served as Head of Kencana Group Energy Division (2009-present), President Director at Voksel Electronic (2003-2008), Director of Finance at Voksel Electronic (1998-2002), Director of Marketing at Voksel Electronic (1990-1997), Marketing Manager at Voksel Electronic (1984-1989), and Marketing Supervisor at Voksel Electronic (1982-1983). He holds a Bachelor's degree in Electrical Engineering Maranatha University Bandung in 1983.
 Ir Karel S Pajung	Director	Karel S Pajung has served as a Director of the company since 2018. He also served as Director of Energi Sakti Sentosa (2013-present), Bangun Tirta Lestari (2013-present), Energi Angin Mandiri (2013-present), President Director of Sumber Rahmat Pertiwi (2012-present), Director of Tirta Energi Cemerlang (2012-present), PT Energi Angin Indonesia (2012-present), Head of Energy at Listrindo Kencana (2012), Head of Energy at Belitung Energy, Head of Distribution Division & Service of Western Indonesia Customers (throughout Sumatra and Kalimantan West) PLN (2010-2012), Expert Staff of Directors of PLN (2009-2010). He holds a Bachelor's degree in Electrical Engineering from the Institute Technology Bandung (1983).
 Giat Widjaja	Director	Giat Widjaja, an Indonesian, is 55 years old. He has served as a Director of the Company since 2018. Previously he was the chief business development officer at Kencana Group (2014-present), as well as a Commissioner at Batang Alum Industry (2012-2013), PT Indonesia Miki Moto (2012-2013), Sumbertex (2012-2013), Umine Energy Indonesia (2011-2012), UCoal Resources (2011-2012). He was also a Director at Bagus Setia Giri (2008-2012), Baturona Adimulya (2008-2012), Astaka Dodol (2008-2012), Selo Argo Dedali (2008-2012), and Finance Director of Alas Waktu Utama (2002-2012). He holds a MBA from the University of the Royal Melbourne Institute of Technology (RMIT), Australia and also an Accounting degree from Atmajaya University, Jakarta.

Source: PLN, RHB

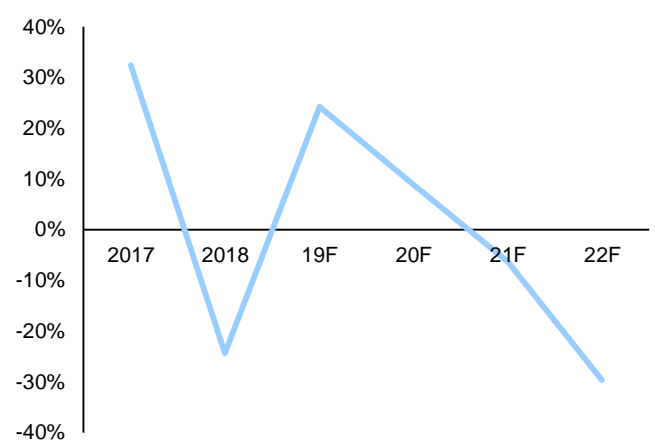
Appendix

Figure 62: KEEN's revenue (2016-2022F)



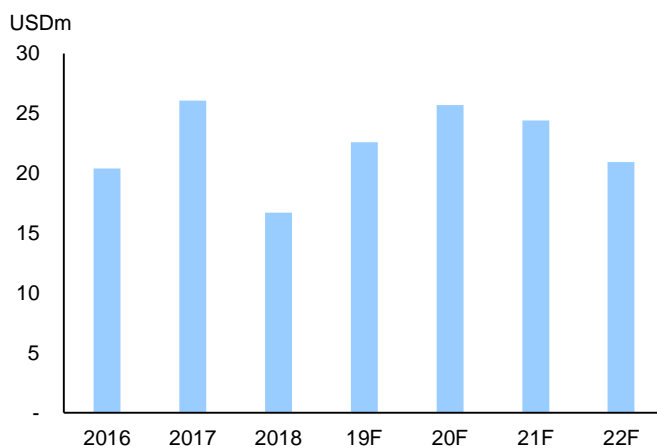
Source: Company data, RHB

Figure 63: KEEN's revenue growth (2017-2022F)



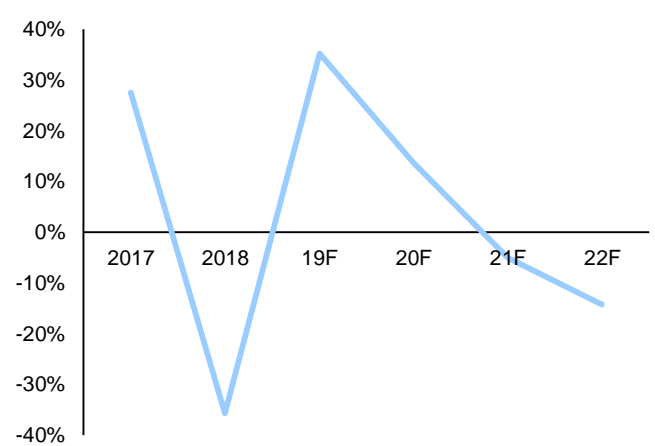
Source: Company data, RHB

Figure 64: KEEN's gross profit (2016-2022F)



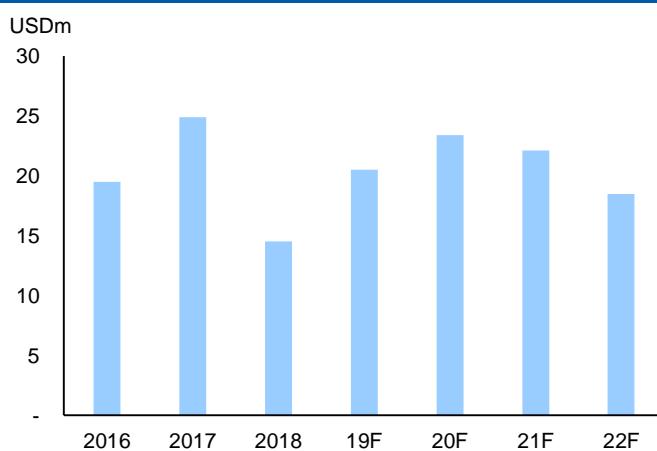
Source: Company data, RHB

Figure 65: KEEN's gross profit growth (2017-2022F)



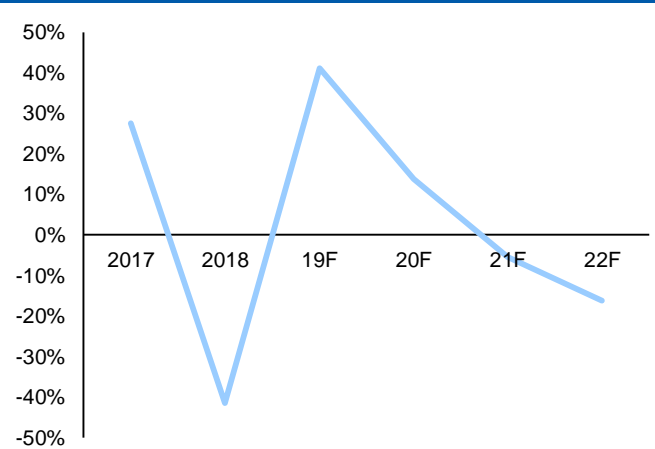
Source: Company data, RHB

Figure 66: KEEN's operating profit (2016-2022F)



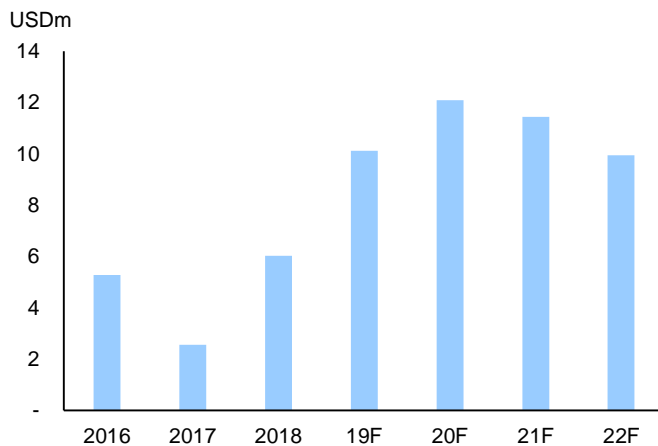
Source: Company data, RHB

Figure 67: KEEN's operating profit growth (2017-2022F)



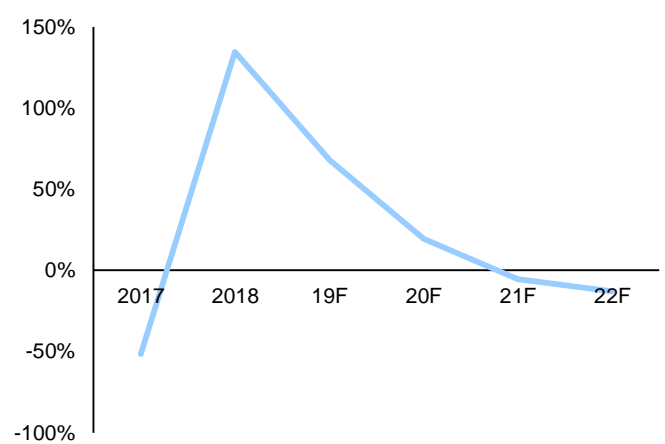
Source: Company data, RHB

Figure 68: KEEN's net profit (2016-2022F)



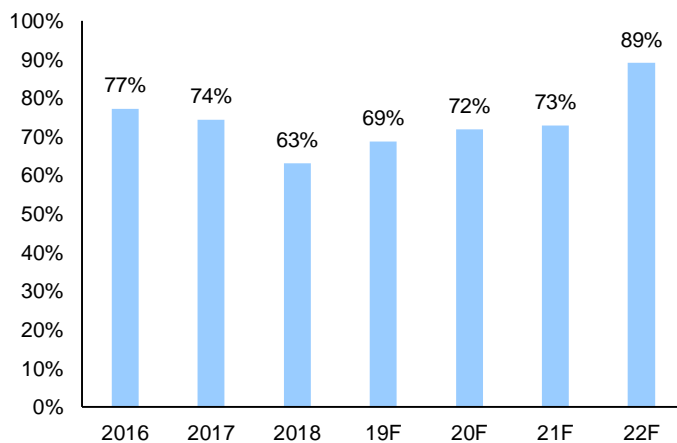
Source: Company data, RHB

Figure 69: KEEN's net profit growth (2017-2022F)



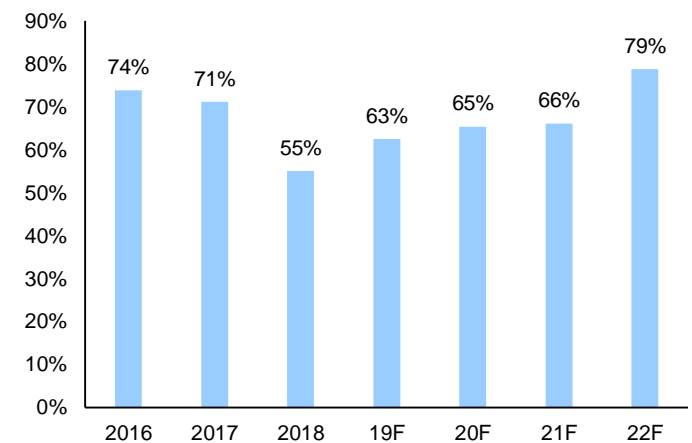
Source: Company data, RHB

Figure 70: KEEN's GPM (2016-2022F)



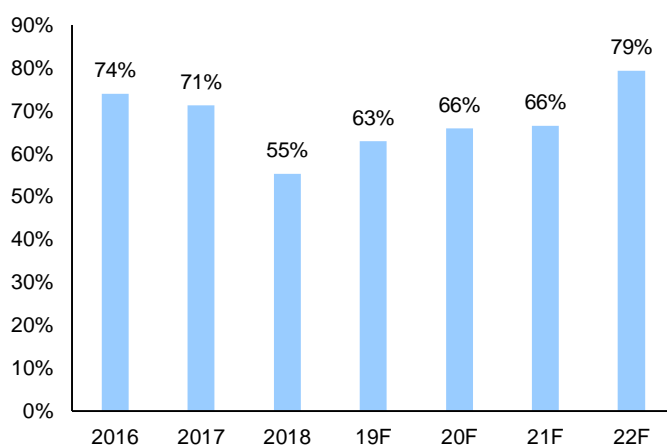
Source: Company data, RHB

Figure 71: KEEN's EBIT margin (2016-2022F)



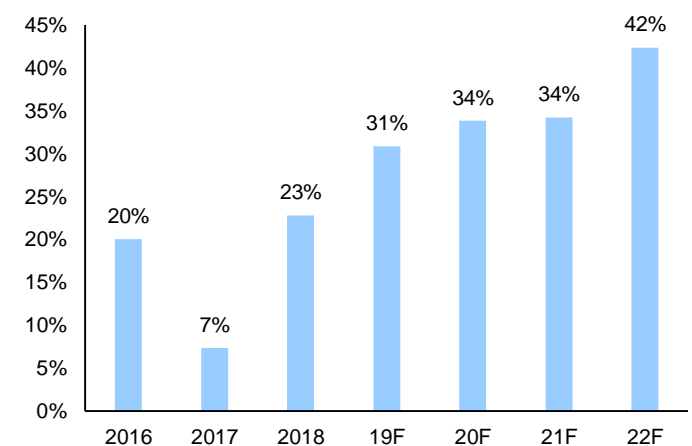
Source: Company data, RHB

Figure 72: KEEN's EBITDA margin (2016-2022F)



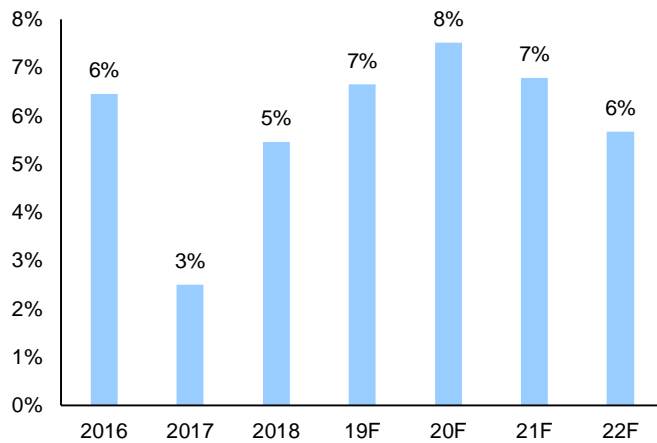
Source: Company data, RHB

Figure 73: KEEN's net margin (2016-2022F)



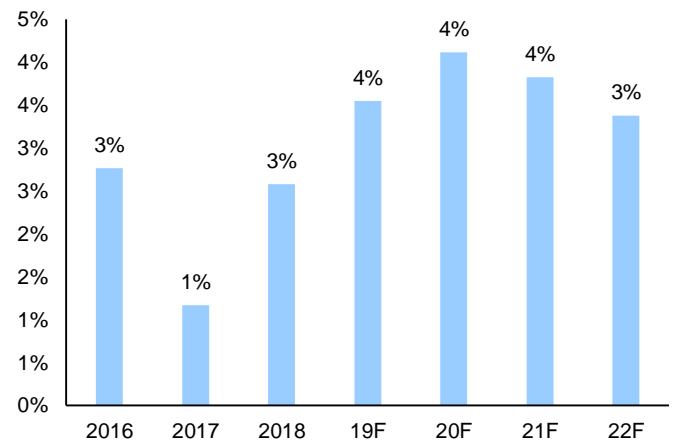
Source: Company data, RHB

Figure 74: KEEN's ROE (2016-2022F)



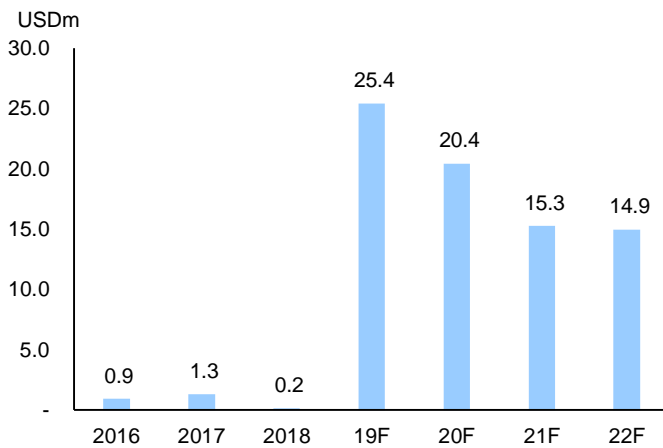
Source: Company data, RHB

Figure 75: KEEN's ROA (2016-2022F)



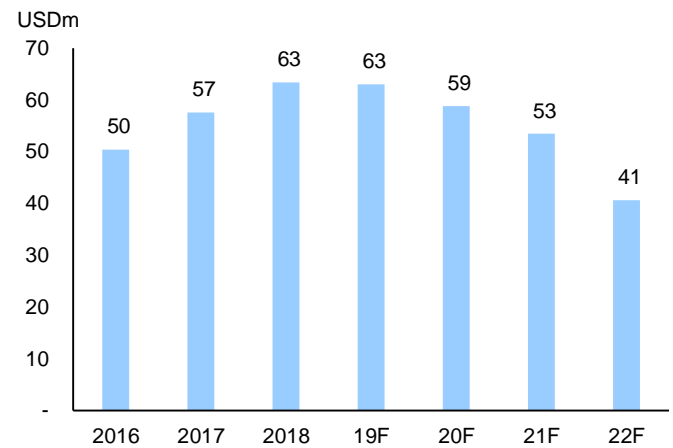
Source: Company data, RHB

Figure 76: KEEN's cash position (2016-2022F)



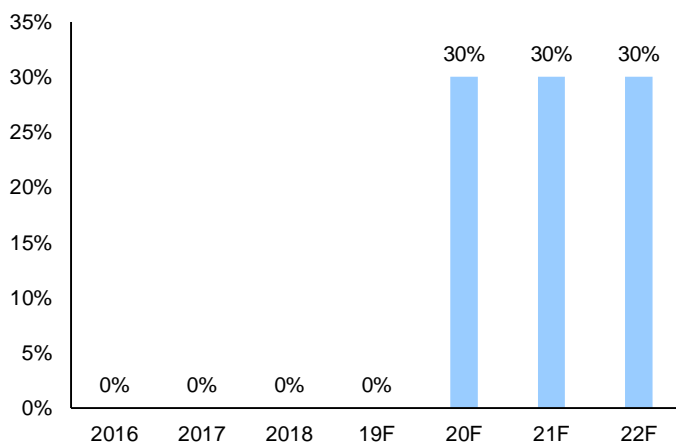
Source: Company data, RHB

Figure 77: KEEN's interest-bearing debt (2016-2022F)



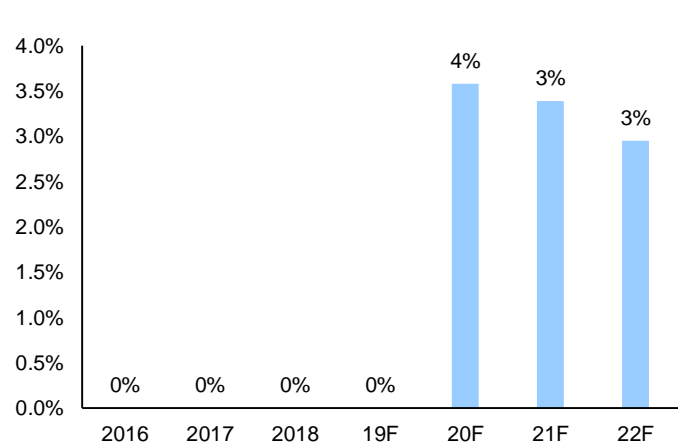
Source: Company data, RHB

Figure 78: KEEN's dividend payout ratios (2016-2022F)



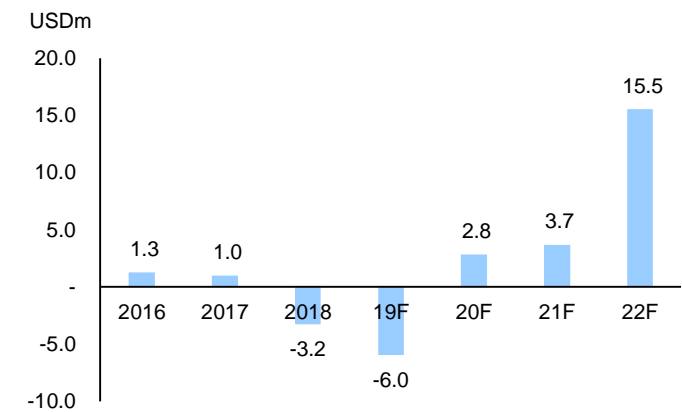
Source: Company data, RHB

Figure 79: KEEN's dividend yield (2016-2022F)



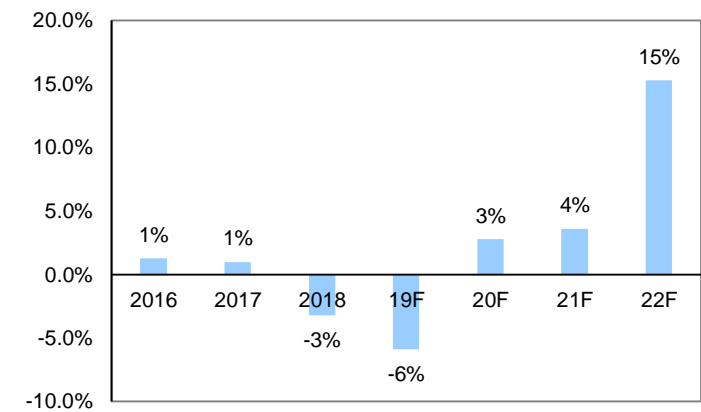
Source: Company data, RHB

Figure 80: KEEN's free cash flow (2016-2022F)



Source: Company data, RHB

Figure 81: KEEN's FCF yield (2016-2022F)



Source: Company data, RHB

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