

## PT Perusahaan Gas Negara Tbk

**BUY**

Infrastructure, Energy  
14 July 2022

Price IDR. 1,340

Target IDR. 2,000

JKSE Index 6,810.213



### Stock code

Bloomberg code PGAS IJ  
Market cap (in Bn) 32,483.6  
52-week high 1,995  
52-week low 1,295  
Free Float (%) 43.00%

### Major Share Holders (%)

PERTAMINA 57.00%  
Public 43.00%

### USD/IDR-YE

2022 15,592  
2023F (6m-avg) 15,294

Analyst:  
Eka Rahmawati Rahman

### Investment Considerations

#### Double digit revenue growth

- PGAS recorded double-digit revenue growth in 1Q2023, of +11.6% to US\$ 933.6 million. This increase was primarily driven by higher contributions from gas sales, upstream operations, oil transportation, and others.
- Gas distribution revenues rose by +6.7% YoY to US\$ 650 million, while transmission sales experienced a decrease of -6.7% YoY to US\$ 53 million, mainly due to increased production and lifting in the Fasken block.
- In terms of gross profit margin, trading and transmission margins declined to 6.3% in 1Q2023 compared to 13.6% in 1Q2022. Exploration and production margins for oil and gas also dropped to 15.4% in 1Q2023 due to higher average costs, while the average gas selling price remained unchanged.
- From January to June 2023, PGAS witnessed a +3.4% YoY increase in gas trading volume, which reached 932 bbtud. Gas transmission volume rose by +4.5% to 1,256 mmscfd, and oil transportation experienced triple-digit growth of 486% YoY, amounting to 160,179 boepd.
- Considering the strong volume growth in the first five months of 2023, we are targeting PGAS's revenue to reach US\$ 3.85 billion for the full year, an +8% growth.

#### 1Q2023: Still lower margin but improving

- PGAS's net profit decreased by -27% YoY to USD 86 million in 1Q2023, with a lower net profit margin of 9.2%. This decline can be attributed to increased upstream production costs, a -76% YoY decrease in foreign exchange gains, and a decrease in the share of profit from joint ventures.
- Cost of revenue increased by +16.3% YoY, primarily due to higher average costs of gas from upstream suppliers in 1Q2023 (US\$ 5.82/mmbtu compared to US\$ 5.66/mmbtu). However, the consolidated average selling gas price to downstream remained unchanged at US\$ 7.40/mmbtu, resulting in a -5% YoY decrease in gross profit to US\$ 176.7 million and a lower gross profit margin of 14.9%.
- PGAS's profit decreased annually but showed an improvement from a loss in 3Q2022. For 2023F, we anticipate PGAS's net profit to be US\$ 386.4 million, a 18.5% YoY growth.

#### Valuation: BUY, with a target price of 2,000

- We maintain our recommendation to buy PGAS shares due to its steady performance improvements and expected growth in demand. Our discounted cash flow (DCF) valuation, using a weighted average cost of capital (WACC) of 10.2%, yields a target price of IDR 2,000 per share. This represents 49% upside potential and corresponds to an 8.5x price-to-earnings (PE) valuation within one year.

Financial Highlights	2020A	2021A	2022A	2023F	2024F
Revenue (USD Mn)	2.886	3.036	3.568	3.852	4.153
Gross Profit (USD Mn)	470	587	780	770	831
GPM (%)	16%	19%	22%	20%	20%
Net Profit (USD Mn)	-264	304	326	386	417
NPM (%)	-9%	10%	9%	10%	10%
EPS (USD)	-0,011	0,013	0,013	0,016	0,017
EBITDA (USD Mn)	215	781	833	949	1.008
EBITDA Margin (%)	7%	26%	23%	25%	24%
PER (X)	-10,7	7,7	8,4	8,1	7,5
PBV (X)	1,3	0,9	1,0	1,1	0,9
Tot debt/ equity (X)	2,0	1,7	1,4	1,3	1,1
Current Ratio (X)	1,7	2,5	2,2	2,9	2,8

Table: Segment Revenue in USD million QoQ

	1Q2022	1Q2023
Trading and Transmission	716,0	763,7
Exploration and Production of Oil and Gas	123,7	129,5
Other Operation	68,5	130,4

Source: Company

Table: Margin Segment

	1Q2022	1Q2023
Trading and Transmission	13,8%	6,3%
Exploration and Production of Oil and Gas	31,9%	15,4%
Other Operation	48,0%	55,1%

Source: Company

Table: Operation Performances 1H2023 MoM

Volume	YTD June 2022	YTD June 2023	May-23	Jun-23
Distribution (BBTUD)	901	932	931	905
Transmission (MMSCFD)	1.202	1.256	1.409	1.367
Upstream (BOEPD)	28.792	20.680	20.680	23.465
Regasification (BBTUD)	131	163	162	157
LPG Processing (Thousand Ton)	140	116	127	108
Oil Transportation (BOEPD)	27.289	160.179	142.527	169.248

Source: Company

Table: Income Statement in USD. Million QoQ

Income Statement in USD Mn.	1Q2022	1Q2023	YoY	4Q2022	YoY
<b>Revenues</b>	<b>836,9</b>	<b>933,6</b>	<b>11,6%</b>	<b>927,1</b>	<b>0,7%</b>
Cost of Revenues	(650,8)	(756,9)	16,3%	(753,5)	0,5%
<b>Gross Profit</b>	<b>186,1</b>	<b>176,7</b>	<b>-5,0%</b>	<b>173,6</b>	<b>1,8%</b>
Operating Income (Expense)	(31,8)	(37,6)	18,3%	(61,5)	-38,9%
<b>Operating Profit</b>	<b>154,3</b>	<b>139,1</b>	<b>-9,8%</b>	<b>112,1</b>	<b>24,0%</b>
Others Income (Expense)	13,8	9,0	-34,6%	(62,7)	-114,4%
<b>PBT</b>	<b>168,1</b>	<b>148,1</b>	<b>-11,9%</b>	<b>49,4</b>	<b>199,8%</b>
Tax	(28,4)	(30,2)	6,3%	(14,5)	107,9%
Non-controlling interest	(21,2)	(32,1)	51,7%	(19,3)	66,5%
<b>Net Profit</b>	<b>118,5</b>	<b>85,9</b>	<b>-27,6%</b>	<b>15,6</b>	<b>449,9%</b>
<b>EPS (USD)</b>	<b>0,005</b>	<b>0,004</b>	<b>-27,6%</b>	<b>0,0006</b>	<b>449,9%</b>
<b>GPM</b>	<b>22,2%</b>	<b>18,9%</b>		<b>18,7%</b>	
<b>OPM</b>	<b>18,4%</b>	<b>14,9%</b>		<b>12,1%</b>	
<b>NPM</b>	<b>14,2%</b>	<b>9,2%</b>		<b>1,7%</b>	

Source: Company

Table: Income Statement in USD. Million YoY

Income Statement in USD Mn.	2019A	2020A	2021A	2022A	2023F	2024F
<b>Revenues</b>	<b>3.848,7</b>	<b>2.885,5</b>	<b>3.036,1</b>	<b>3.568,5</b>	<b>3.852,5</b>	<b>4.153,0</b>
Cost of Revenues	(2.621,3)	(2.415,5)	(2.449,3)	(2.788,0)	(3.082,0)	(3.322,4)
<b>Gross Profit</b>	<b>1.227,3</b>	<b>470,0</b>	<b>586,9</b>	<b>780,5</b>	<b>770,5</b>	<b>830,6</b>
Operating Income (Expense)	(681,0)	(166,3)	(166,5)	(188,3)	(154,1)	(166,1)
<b>Operating Profit</b>	<b>546,3</b>	<b>303,7</b>	<b>420,3</b>	<b>592,2</b>	<b>616,4</b>	<b>664,5</b>
Others Income (Expense)	(266,5)	(479,1)	47,6	(49,7)	38,5	41,5
<b>PBT</b>	<b>279,9</b>	<b>(175,3)</b>	<b>468,0</b>	<b>542,4</b>	<b>654,9</b>	<b>706,0</b>
Tax	(166,9)	(40,4)	(103,4)	(141,4)	(137,5)	(148,3)
Non-controlling interest	(45,4)	(49,0)	(60,7)	(75,1)	(131,0)	(141,2)
<b>Net Profit</b>	<b>67,5</b>	<b>(264,8)</b>	<b>303,9</b>	<b>326,0</b>	<b>386,4</b>	<b>416,5</b>
<b>EPS (USD)</b>	<b>0,003</b>	<b>(0,011)</b>	<b>0,013</b>	<b>0,013</b>	<b>0,016</b>	<b>0,017</b>
<b>EBITDA</b>	<b>676,8</b>	<b>218,8</b>	<b>781,4</b>	<b>833,0</b>	<b>949,3</b>	<b>844,9</b>

Source: Company & Binaartha

Table: Cash Flow in USD. Million YoY

Cash Flow (In USD Mn)	2020A	2021A	2022A	2023F	2024F
Net Income	-264	304	326	386	417
Depreciation	261	160	158	158	163
Change in WC	387	-165	34	-142	-156
<b>Cash From Operating Activities</b>	<b>383</b>	<b>299</b>	<b>518</b>	<b>403</b>	<b>424</b>
Change on Non-current Assets	-624	48	179	-128	-828
<b>Cash From Investing Activities</b>	<b>-624</b>	<b>48</b>	<b>179</b>	<b>-128</b>	<b>-828</b>
Long-term Bank Loans	-3	50	-69	11	69
Bonds Payables	3	3	-644	0	-23
Others Noncurrent Liabilities	379	-103	129	54	-76
Equity	-14	26	-169	95	3
<b>Cash From Financing Activities</b>	<b>366</b>	<b>-25</b>	<b>-754</b>	<b>160</b>	<b>-27</b>
<b>Net Changes in Cash</b>	<b>125</b>	<b>322</b>	<b>-57</b>	<b>435</b>	<b>-432</b>
<b>Beginning Balance</b>	<b>1.058</b>	<b>1.182</b>	<b>1.504</b>	<b>1.448</b>	<b>1.882</b>
<b>Ending Balance</b>	<b>1.182</b>	<b>1.504</b>	<b>1.448</b>	<b>1.882</b>	<b>1.451</b>

Source: Company & Binaartha

Table: Statement of Financial Position in USD. Million YoY

Statement of Financial Position (In USD Mn)	2019A	2020A	2021A	2022A	2023F	2024F
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	1.058	1.182	1.504	1.448	1.882	1.451
Trade Accounts Receivable	645	537	462	568	616	664
Inventory	71	69	55	60	69	75
Others Current Assets	435	217	170	137	182	178
<b>Total Current Assets</b>	<b>2.209</b>	<b>2.006</b>	<b>2.191</b>	<b>2.212</b>	<b>2.750</b>	<b>2.368</b>
<b>NONCURRENT ASSETS</b>						
Fixed Assets	2.748	2.698	2.650	2.633	2.712	2.794
Oil and Gas Properties	1.396	1.276	1.193	947	963	1.080
Trade Receivables	162	163	141	112	121	166
Other Noncurrent Assets	859	1.392	1.335	1.290	1.156	1.578
<b>Total Noncurrent Assets</b>	<b>5.165</b>	<b>5.528</b>	<b>5.320</b>	<b>4.982</b>	<b>4.953</b>	<b>5.618</b>
<b>TOTAL ASSETS</b>	<b>7.374</b>	<b>7.534</b>	<b>7.511</b>	<b>7.195</b>	<b>7.703</b>	<b>7.986</b>
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Short-term Bank Loans	186	30	19	17	53	42
Trade Payables	441	215	298	236	270	249
Accruals	317	570	376	396	326	307
Others Current Liabilities	179	368	188	344	305	249
<b>Total Current Liabilities</b>	<b>1.123</b>	<b>1.183</b>	<b>881</b>	<b>993</b>	<b>954</b>	<b>847</b>
<b>NONCURRENT LIABILITIES</b>						
Long-term bank	357	354	404	335	347	415
Bonds Payables	1.961	1.964	1.967	1.323	1.323	1.300
Others Noncurrent Liabilities	698	1.077	973	1.102	1.156	1.080
<b>Total Noncurrent Liabilities</b>	<b>3.016</b>	<b>3.395</b>	<b>3.345</b>	<b>2.761</b>	<b>2.826</b>	<b>2.795</b>
<b>TOTAL LIABILITIES</b>	<b>4.139</b>	<b>4.579</b>	<b>4.226</b>	<b>3.753</b>	<b>3.779</b>	<b>3.642</b>
Non-controlling interest	673	722	760	808	963	997
<b>EQUITY</b>	<b>2.561</b>	<b>2.234</b>	<b>2.526</b>	<b>2.635</b>	<b>2.961</b>	<b>3.347</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>7.374</b>	<b>7.534</b>	<b>7.511</b>	<b>7.195</b>	<b>7.703</b>	<b>7.986</b>

Source: Company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2020A	2021A	2022A	2023F	2024F
Sales	-25%	5%	18%	8%	8%
OP	-44%	38%	41%	4%	8%
EBITDA	-68%	264%	7%	14%	6%
NP	-492%	215%	7%	19%	8%
EPS	-492%	215%	7%	19%	8%

  

Profitability					
Gross Margin (%)	16%	19%	22%	20%	20%
Operating Margin(%)	11%	14%	17%	16%	16%
EBITDA margin(%)	7%	26%	23%	25%	24%
NET Profit margin(%)	-9%	10%	9%	10%	10%
ROA(%)	-4%	4%	5%	5%	5%
ROE(%)	-12%	12%	12%	13%	12%

  

Stability					
Tot debt/ equity (X)	2,0	1,7	1,4	1,3	1,1
Current Ratio (X)	1,7	2,5	2,2	2,9	2,8

  

Per Share data					
EPS (USD)	-0,011	0,013	0,013	0,016	0,017
EPS (IDR)	-154	179	210	246	265
PER (X)	-10,7	7,7	8,4	8,1	7,5
PBV (X)	1,3	0,9	1,0	1,1	0,9
EBITDA/share	0,01	0,03	0,03	0,04	0,04

Source: Company & Binaartha

**Stock Ratings:**

Buy : a recommendation to purchase the security with upside potential of **20% or greater**

Hold : a recommendation to neither buy nor sell a security with upside potential of **0-19%**.

Sell : a recommendation to close out a long position in a security with upside potential **below 0% or negative**.

**RESEARCH TEAM**  
**(62 21) 520 6678 ext. 611**

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