

PT Perusahaan Gas Negara Tbk

Investment Considerations

BUY

Infrastructure, Energy
20 Sept 2023

Price	IDR.	1,385
Target	IDR.	2,000
JKSE Index		7,011.477



Stock code	
Bloomberg code	PGAS IJ
Market cap (in Bn)	33,574.5
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

Maintain Gas Prices for non-HGBT customers

- The Ministry of Energy and Mineral Resources in Indonesia has rejected PGAS's proposal for a gas price hike. The government's objective is to keep gas prices affordable for the general population. Previously, PGAS had planned to increase gas prices for industries outside a specific category of natural gas customers (non-HGBT) on October 1, 2023.
- In the first half of 2023, PGAS achieved substantial revenue growth, with a 2.5% increase to US\$1.78 billion. However, in the second quarter of 2023, PGAS experienced a revenue decline of 5.9% YoY to US\$849.7 million. This decrease can be attributed to a drop in the upstream business and a decline in gas distribution.
- Gas distribution decreased by 3% YoY to US\$589 million, while transmission sales saw a significant increase of 36.4% YoY to US\$80 million. The oil and gas revenue, however, decreased by 51.2% YoY to US\$84 million due to weaker oil prices.
- In terms of gross profit margin, trading and transmission margins increased QoQ to 17.4% in 2Q2023 compared to 6.3% in 1Q2023. Exploration and production margins for oil and gas dropped to 11.7% in 2Q2023.
- PGAS expects strong demand to persist and aims to achieve full-year revenue of US\$3.63 billion.

2Q2023 bottom line

- PGAS's net profit decreased by 50% YoY to USD 59.4 million in 2Q2023, with a lower net profit margin of 7.0%. This decline can be attributed to a reversal of tax disputes totaling US\$29.8 million in 2Q2023 and a 37% decrease in the share of profit from joint ventures.
- On a positive note, the top-line margin improved with a Gross Profit Margin (GPM) of 22.5% in 2Q2023 due to lower cost of revenue, which decreased by 1.5% YoY or 13% QoQ.
- Recent actions by Russia and Saudi Arabia to cut supply have led to higher oil and gas prices in the market. This is expected to have a positive impact on PGAS's upstream business. For 2023, PGAS anticipates a net profit of US\$345.7 million, reflecting a 6% YoY growth.

Batam Site Visit

- In August, a visit was conducted to PGAS facilities in Panaran, Batam. The facilities delivered 90.87 BBTUD in 1H2023, with the power plant sector being the largest customer, constituting 82.3% of the total. Delivery in Batam is expected to reach 112.82 BBTUD due to anticipated higher demand.

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

- We maintain our recommendation to buy PGAS shares due to its consistent performance improvements and expected demand growth. Our discounted cash flow (DCF) valuation, using a weighted average cost of capital (WACC) of 9.81%, yields a target price of IDR 2,000 per share. This represents a 44% upside potential and corresponds to a 9x price-to-earnings (PE) valuation within one year.

Financial Highlights	2020A	2021A	2022A	2023F	2024F
Revenue (USD Mn)	2.886	3.036	3.568	3.630	3.893
Gross Profit (USD Mn)	470	587	780	799	856
GPM (%)	16%	19%	22%	22%	22%
Net Profit (USD Mn)	-264	304	326	346	394
NPM (%)	-9%	10%	9%	10%	10%
EPS (USD)	-0,011	0,013	0,013	0,014	0,016
EBITDA (USD Mn)	215	781	833	857	923
EBITDA Margin (%)	7%	26%	23%	24%	24%
PER (X)	-10,7	7,7	8,4	9,1	8,0
PBV (X)	1,3	0,9	1,0	1,1	0,9
Tot debt/ equity (X)	2,0	1,7	1,4	1,2	1,0
Current Ratio (X)	1,7	2,5	2,2	1,3	1,8

Table: Segment Revenue in USD million QoQ

	2Q2022	2Q2023
Trading and Transmission	701,1	801,9
Exploration and Production of Oil and Gas	184,6	89,3

Source: Company

Table: Margin Segment

	2Q2022	2Q2023
Trading and Transmission	13,4%	17,4%
Exploration and Production of Oil and Gas	47,5%	11,7%

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.	1Q2023	2Q2023	QoQ	2Q2022	YoY	1H2022	1H2023	YoY
Revenues	933,6	849,7	-9,0%	903,2	-5,9%	1.740,1	1.783,3	2,5%
Cost of Revenues	(756,9)	(658,3)	-13,0%	(668,4)	-1,5%	(1.319,3)	(1.415,2)	7,3%
Gross Profit	176,7	191,4	8,3%	234,8	-18,5%	420,8	368,1	-12,5%
Operating Income (Expense)	(37,6)	(47,0)	25,1%	(49,4)	-4,8%	(81,2)	(84,6)	4,2%
Operating Profit	139,1	144,4	3,8%	185,4	-22,1%	339,7	283,5	-16,5%
Others Income (Expense)	9,0	(17,4)	-292,6%	16,0	-209,0%	29,8	(8,4)	-128,1%
PBT	148,1	127,0	-14,3%	201,3	-36,9%	369,4	275,1	-25,5%
Tax	(30,2)	(45,8)	51,9%	(62,8)	-27,0%	(91,2)	(76,0)	-16,6%
Non-controlling interest	(32,1)	(21,7)	-32,3%	(18,6)	16,7%	(39,8)	(53,8)	35,3%
Net Profit	85,9	59,4	-30,8%	120,0	-50,5%	238,5	145,3	-39,1%
EPS (USD)	0,004	0,002	-30,8%	0,005	-50,5%	0,010	0,006	-39,1%
GPM	18,9%	22,5%		26,0%		24,2%	20,6%	
OPM	14,9%	17,0%		20,5%		19,5%	15,9%	
NPM	9,2%	7,0%		13,3%		13,7%	8,1%	

Source: Company

Chart: PGAS Batam Area Distribution Volume (BBTUD)

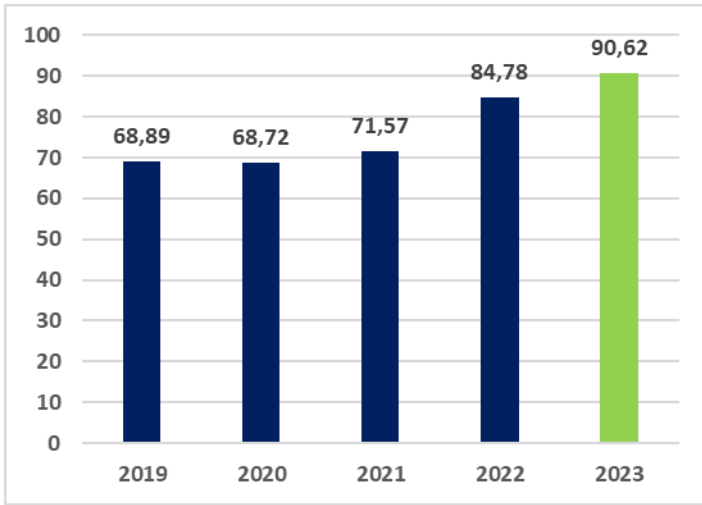
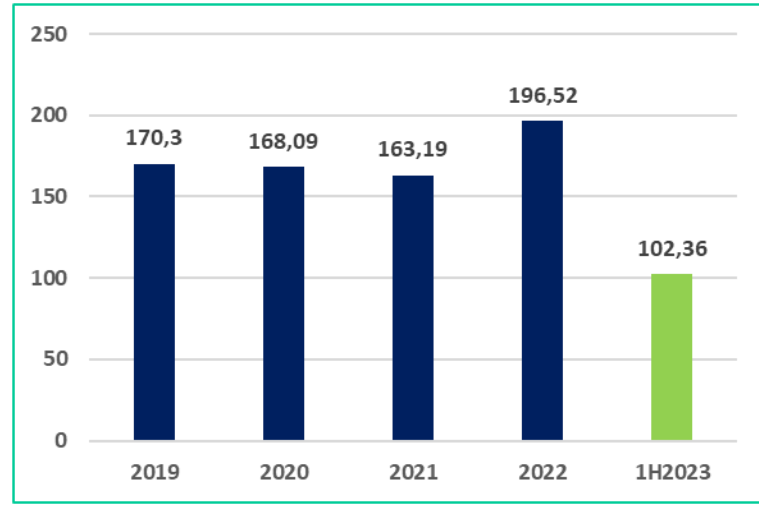


Chart: PGAS Batam Area Revenue (Million US\$)



Pictures: Batam Distribution Network

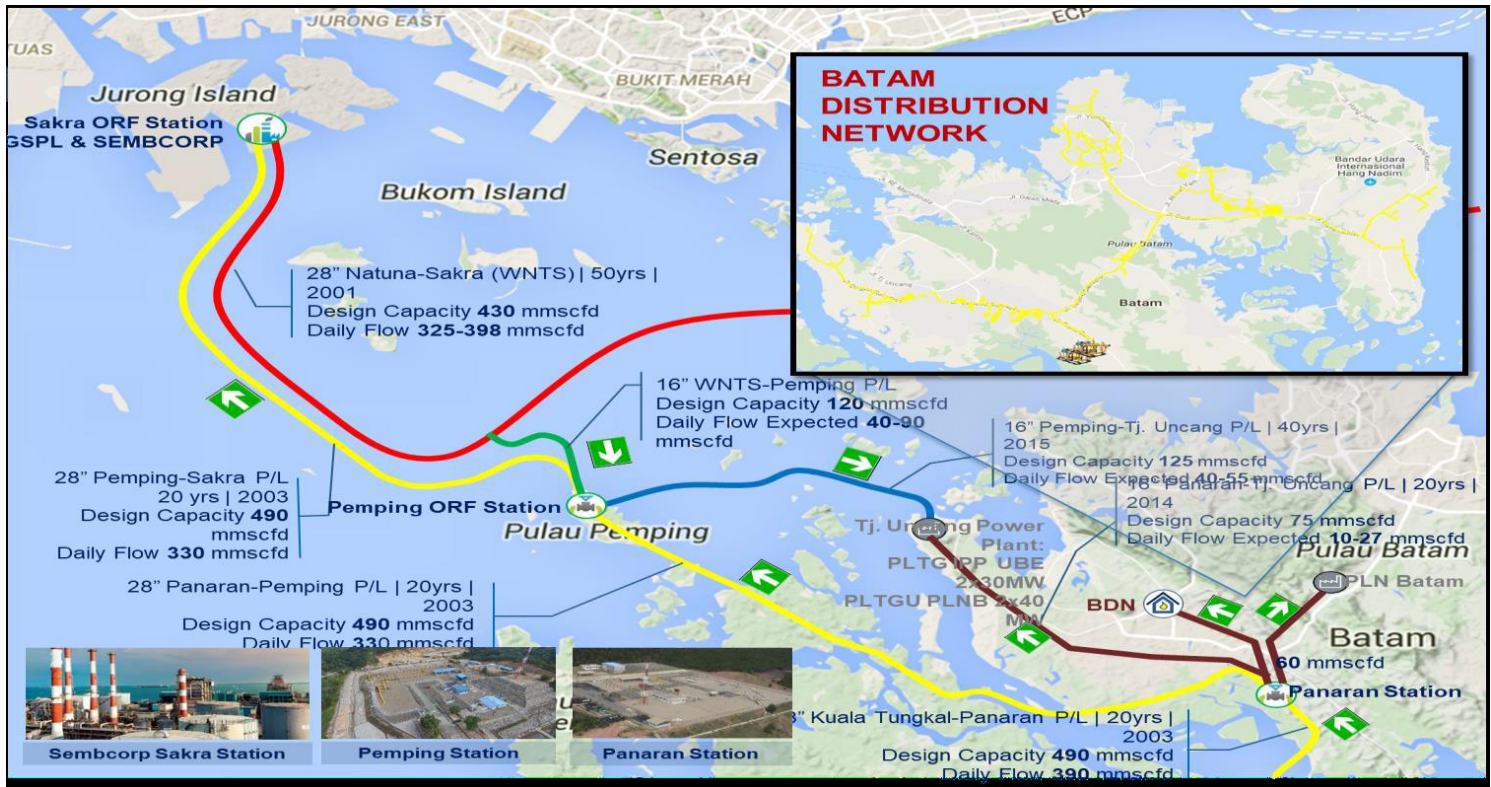


Table: Income Statement in USD. Million YoY

Income Statement in USD Mn.	2020A	2021A	2022A	2023F	2024F
Revenues	2.885,5	3.036,1	3.568,5	3.629,7	3.892,5
Cost of Revenues	(2.415,5)	(2.449,3)	(2.788,0)	(2.831,1)	(3.036,2)
Gross Profit	470,0	586,9	780,5	798,5	856,4
Operating Income (Expense)	(166,3)	(166,5)	(188,3)	(174,2)	(155,7)
Operating Profit	303,7	420,3	592,2	624,3	700,7
Others Income (Expense)	(479,1)	47,6	(49,7)	(18,1)	(19,5)
PBT	(175,3)	468,0	542,4	606,2	681,2
Tax	(40,4)	(103,4)	(141,4)	(151,5)	(170,3)
Non-controlling interest	(49,0)	(60,7)	(75,1)	(108,9)	(116,8)
Net Profit	(264,8)	303,9	326,0	345,7	394,1
EPS (USD)	(0,011)	0,013	0,013	0,014	0,016
EBITDA	218,8	781,4	833,0	856,6	759,7

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	346	394
Depreciation	261	160	158	158	163
Change in WC	387	-165	34	947	-910
Cash From Operating Activities	383	299	518	1.451	-353
Change on Non-current Assets	-624	48	179	146	-770
Cash From Investing Activities	-624	48	179	146	-770
Long-term Bank Loans	-3	50	-69	-9	646
Bonds Payables	3	3	-644	-1.323	0
Others Noncurrent Liabilities	379	-103	129	-13	-77
Equity	-14	26	-169	80	-22
Cash From Financing Activities	366	-25	-754	-1.265	548
Net Changes in Cash	125	322	-57	333	-575
Beginning Balance	1.058	1.182	1.504	1.448	1.780
Ending Balance	1.182	1.504	1.448	1.780	1.205

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
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	1.058	1.182	1.504	1.448	1.780	1.205
Trade Accounts Receivable	645	537	462	568	690	740
Inventory	71	69	55	60	65	70
Others Current Assets	435	217	170	137	145	152
Total Current Assets	2.209	2.006	2.191	2.212	2.680	2.167
NONCURRENT ASSETS						
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	762	973
Trade Receivables	162	163	141	112	114	156
Other Noncurrent Assets	859	1.392	1.335	1.290	1.089	1.362
Total Noncurrent Assets	5.165	5.528	5.320	4.982	4.678	5.285
TOTAL ASSETS	7.374	7.534	7.511	7.195	7.358	7.452
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	186	30	19	17	841	20
Trade Payables	441	215	298	236	254	234
Accruals	317	570	376	396	544	545
Others Current Liabilities	179	368	188	344	436	428
Total Current Liabilities	1.123	1.183	881	993	2.075	1.227
NONCURRENT LIABILITIES						
Long-term bank	357	354	404	335	327	973
Bonds Payables	1.961	1.964	1.967	1.323	0	0
Others Noncurrent Liabilities	698	1.077	973	1.102	1.089	1.012
Total Noncurrent Liabilities	3.016	3.395	3.345	2.761	1.416	1.985
TOTAL LIABILITIES	4.139	4.579	4.226	3.753	3.491	3.212
Non-controlling interest	673	722	760	808	907	934
EQUITY	2.561	2.234	2.526	2.635	2.961	3.306
TOTAL LIABILITIES & EQUITY	7.374	7.534	7.511	7.195	7.359	7.453

Source: Company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2020A	2021A	2022A	2023F	2024F
Sales	-25%	5%	18%	2%	7%
OP	-44%	38%	41%	5%	12%
EBITDA	-68%	264%	7%	3%	8%
NP	-492%	215%	7%	6%	14%
EPS	-492%	215%	7%	6%	14%

Profitability					
Gross Margin (%)	16%	19%	22%	22%	22%
Operating Margin(%)	11%	14%	17%	17%	18%
EBITDA margin(%)	7%	26%	23%	24%	24%
NET Profit margin(%)	-9%	10%	9%	10%	10%
ROA(%)	-4%	4%	5%	5%	5%
ROE(%)	-12%	12%	12%	12%	12%

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

Per Share data					
EPS (USD)	-0,011	0,013	0,013	0,014	0,016
EPS (IDR)	-154	179	210	220	251
PER (X)	-10,7	7,7	8,4	9,1	8,0
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
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