

### PT Perusahaan Gas Negara Tbk

**BUY**

Infrastructure, Energy  
21 March 2024

Price	IDR.	1,285
Target	IDR.	1,630
JKSE Index		7,331.128



Stock code	PGAS IJ
Bloomberg code	31,029.1
Market cap (in Bn)	1,535
52-week high	1,060
52-week low	43.00%
Free Float (%)	

Major Share Holders (%)	
PERTAMINA	57.00%
Public	43.00%

USD/IDR-YE	
2023	15,439
2024F (6m-avg)	15,493

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#### Investment Considerations

##### Expecting modest growth for 2024

- PGAS's Q4 2023 performance exhibited single-digit revenue growth of +6.4%, reaching USD 956 million. For FY 2023, revenue also increased slightly by +0.6% YoY or +6.7% QoQ to USD 3.65 billion. This stability in revenue is attributed to positive growth in both upstream and distribution revenue.
- Gas distribution saw an increase of +5.5% YoY or +5.7% QoQ to USD 685 million, whereas transmission sales experienced a decrease of -60% YoY to USD 15 million in Q4 2023. Nonetheless, oil and gas revenue increased by +26% YoY to USD 123 million.
- In terms of gross profit margin, both trading and transmission margins rose to 10.7% in Q4 2023. Margins for exploration and production of oil and gas also climbed to 30% in the same quarter.
- For 2024F, PGAS is targeting modest growth, with gas trading volume expected to grow by +3%, transmission by +4%, and regasification by +22% due to higher demand, while upstream lifting is anticipated to decline by -8% as some blocks experienced a decline in 2023.

##### Q4 2023 Results: Margin improvement

- PGAS's net profit saw a substantial increase of +389% YoY or +37% QoQ to USD 76.4 million in Q4 2023, along with an improved net profit margin of 8.0%.
- This boost can be attributed to a lower cost of revenue, down by -0.7% YoY, and higher revenue in Q4 2023, despite operating expenses increasing by +20.6% QoQ to USD 58.6 million.
- The result was an improvement in margins, with the operating margin reaching 15.6%, up from 12.1% the previous year, and the gross profit margin expanding to 21.7% from 18.7%.
- Regarding the force majeure notice for the LNG sales and purchase agreement with Gunvor Singapore Ltd, the sale and purchase agreement with Gunvor LNG (2024-2027) is still ongoing, likely leading to a new arrangement as a result of coordination and negotiation. Meanwhile, PGAS is exploring the possibility of procuring LNG from alternative suppliers to fulfill Gunvor's contract. In terms of penalties, PGAS has provisioned a total of USD 68.4 million, estimated to cover the incurred penalties.

##### Valuation: Maintain BUY, with a lower target price of 1,630

- We maintain our recommendation to buy PGAS shares following the performance improvement in Q4 2023. Our discounted cash flow (DCF) valuation, employing a weighted average cost of capital (WACC) of 10.85%, yields a target price of IDR 1,630 per share. This represents a 27% upside potential and corresponds to a 7.6x price-to-earnings (PE) ratio within one year.

Financial Highlights	2020A	2021A	2022A	2023A	2024F	2025F
Revenue (USD Mn)	2.886	3.036	3.568	3.646	3.740	3.971
Gross Profit (USD Mn)	470	587	780	734	752	798
GPM (%)	16%	19%	22%	20%	20%	20%
Net Profit (USD Mn)	-264	304	326	277	300	328
NPM (%)	-9%	10%	9%	8%	8%	8%
EPS (USD)	-0,011	0,013	0,013	0,011	0,012	0,014
EBITDA (USD Mn)	215	781	833	793	792	801
EBITDA Margin (%)	7%	26%	23%	22%	21%	20%
PER (X)	-10,7	7,7	8,4	6,4	7,6	7,0
PBV (X)	1,3	0,9	1,0	0,7	0,8	0,7
Tot debt/ equity (X)	2,0	1,7	1,4	1,1	1,0	1,0
Current Ratio (X)	1,7	2,5	2,2	1,3	1,4	1,5

**PGAS Margin Segment**

	4Q2022	4Q2023	2022	2023
Trading and Transmission	7,0%	10,7%	11,3%	9,7%
Exploration and Production of Oil and Gas	-12,5%	30,0%	25,9%	15,6%
Other Operation	46,3%	57,3%	43,6%	49,6%

Source: Company

**PGAS Operation Performance and Targets**

Volumes	2023	2024 Target	%
Distribution (BBTUD)	923,0	954,0	3,4%
Transmission (MMSCFD)	1.458,0	1.516,0	4,0%
Upstream (MMBOE)	9,2	8,4	-8,7%
Regasification (BBTUD)	158,0	192,0	21,5%
LPG Processing (Thousand Ton)	39,0	44,0	12,8%
Oil Transportation (MMBOE)	56,9	55,5	-2,5%

Source: Company

**Income Statement in USD Million QoQ**

Income Statement in USD Mn.	1Q2023	2Q2023	3Q2023	4Q2023	QoQ	4Q2022	YoY	2022	2023	YoY
<b>Revenues</b>	<b>933,6</b>	<b>849,7</b>	<b>907,0</b>	<b>956,0</b>	<b>5,4%</b>	<b>927,1</b>	<b>3,1%</b>	<b>3.568,5</b>	<b>3.646,2</b>	<b>2,2%</b>
Cost of Revenues	(756,9)	(658,3)	(749,4)	(748,1)	-0,2%	(753,5)	-0,7%	(2.788,0)	(2.912,7)	4,5%
<b>Gross Profit</b>	<b>176,7</b>	<b>191,4</b>	<b>157,6</b>	<b>207,9</b>	<b>31,9%</b>	<b>173,6</b>	<b>19,7%</b>	<b>780,5</b>	<b>733,5</b>	<b>-6,0%</b>
Operating Income (Expense)	(37,6)	(47,0)	(48,6)	(58,6)	20,6%	(61,5)	-4,7%	(188,3)	(191,8)	1,8%
<b>Operating Profit</b>	<b>139,1</b>	<b>144,4</b>	<b>109,0</b>	<b>149,3</b>	<b>36,9%</b>	<b>112,1</b>	<b>33,1%</b>	<b>592,2</b>	<b>541,8</b>	<b>-8,5%</b>
Others Income (Expense)	9,0	(17,4)	(13,9)	3,8	-127,0%	(62,7)	-106,0%	(49,7)	(18,5)	-62,7%
<b>PBT</b>	<b>148,1</b>	<b>127,0</b>	<b>95,1</b>	<b>153,0</b>	<b>61,0%</b>	<b>49,4</b>	<b>209,7%</b>	<b>542,4</b>	<b>523,2</b>	<b>-3,5%</b>
Tax	(30,2)	(45,8)	(18,0)	(53,3)	196,0%	(14,5)	266,9%	(141,4)	(147,3)	4,2%
Non-controlling interest	(32,1)	(21,7)	(21,3)	(23,4)	9,6%	(19,3)	21,2%	(75,1)	(98,5)	31,2%
<b>Net Profit</b>	<b>85,9</b>	<b>59,4</b>	<b>55,8</b>	<b>76,4</b>	<b>37,0%</b>	<b>15,6</b>	<b>389,3%</b>	<b>326,0</b>	<b>277,4</b>	<b>-14,9%</b>
<b>EPS (USD)</b>	<b>0,004</b>	<b>0,002</b>	<b>0,002</b>	<b>0,0</b>	<b>37,0%</b>	<b>0,0</b>	<b>389,3%</b>	<b>0,0</b>	<b>0,0</b>	<b>-14,9%</b>
<b>GPM</b>	<b>18,9%</b>	<b>22,5%</b>	<b>17,4%</b>	<b>21,7%</b>		<b>18,7%</b>		<b>21,9%</b>	<b>20,1%</b>	
<b>OPM</b>	<b>14,9%</b>	<b>17,0%</b>	<b>12,0%</b>	<b>15,6%</b>		<b>12,1%</b>		<b>16,6%</b>	<b>14,9%</b>	
<b>NPM</b>	<b>9,2%</b>	<b>7,0%</b>	<b>6,1%</b>	<b>8,0%</b>		<b>1,7%</b>		<b>9,1%</b>	<b>7,6%</b>	

Source: Company

Income Statement in USD Million YoY

Income Statement in USD Mn.	2019A	2020A	2021A	2022A	2023A	2024F	2025F
Revenues	3.848,7	2.885,5	3.036,1	3.568,5	3.646,2	3.739,9	3.971,5
Cost of Revenues	(2.621,3)	(2.415,5)	(2.449,3)	(2.788,0)	(2.912,7)	(2.988,2)	(3.173,2)
<b>Gross Profit</b>	<b>1.227,3</b>	<b>470,0</b>	<b>586,9</b>	<b>780,5</b>	<b>733,5</b>	<b>751,7</b>	<b>798,3</b>
Operating Income (Expense)	(681,0)	(166,3)	(166,5)	(188,3)	(191,8)	(198,2)	(198,6)
<b>Operating Profit</b>	<b>546,3</b>	<b>303,7</b>	<b>420,3</b>	<b>592,2</b>	<b>541,8</b>	<b>553,5</b>	<b>599,7</b>
Others Income (Expense)	(266,5)	(479,1)	47,6	(49,7)	(18,5)	(18,7)	(19,9)
<b>PBT</b>	<b>279,9</b>	<b>(175,3)</b>	<b>468,0</b>	<b>542,4</b>	<b>523,2</b>	<b>534,8</b>	<b>579,8</b>
Tax	(166,9)	(40,4)	(103,4)	(141,4)	(147,3)	(133,7)	(145,0)
Non-controlling interest	(45,4)	(49,0)	(60,7)	(75,1)	(98,5)	(101,0)	(107,2)
<b>Net Profit</b>	<b>67,5</b>	<b>(264,8)</b>	<b>303,9</b>	<b>326,0</b>	<b>277,4</b>	<b>300,1</b>	<b>327,6</b>
<b>EPS (USD)</b>	<b>0,003</b>	<b>(0,011)</b>	<b>0,013</b>	<b>0,013</b>	<b>0,011</b>	<b>0,012</b>	<b>0,014</b>
<b>EBITDA</b>	<b>676,8</b>	<b>218,8</b>	<b>781,4</b>	<b>833,0</b>	<b>793,1</b>	<b>792,5</b>	<b>795,5</b>

Source: Company & Binaartha

Cash Flow in USD Million YoY

Cash Flow (In USD Mn)	2020A	2021A	2022A	2023A	2024F	2025F
Net Income	-264	304	326	277	300	328
Depreciation	261	160	158	172	172	178
Change in WC	387	-165	34	587	-99	-175
<b>Cash From Operating Activities</b>	<b>383</b>	<b>299</b>	<b>518</b>	<b>1.037</b>	<b>373</b>	<b>331</b>
Change on Non-current Assets	-624	48	179	103	-379	-642
<b>Cash From Investing Activities</b>	<b>-624</b>	<b>48</b>	<b>179</b>	<b>103</b>	<b>-379</b>	<b>-642</b>
Long-term Bank Loans	-3	50	-69	185	41	233
Bonds Payables	3	3	-644	-1.323	0	0
Others Noncurrent Liabilities	379	-103	129	-26	8	67
Equity	-14	26	-169	-179	-4	26
<b>Cash From Financing Activities</b>	<b>366</b>	<b>-25</b>	<b>-754</b>	<b>-1.343</b>	<b>45</b>	<b>326</b>
<b>Net Changes in Cash</b>	<b>125</b>	<b>322</b>	<b>-57</b>	<b>-203</b>	<b>39</b>	<b>15</b>
<b>Beginning Balance</b>	<b>1.058</b>	<b>1.182</b>	<b>1.504</b>	<b>1.448</b>	<b>1.245</b>	<b>1.284</b>
<b>Ending Balance</b>	<b>1.182</b>	<b>1.504</b>	<b>1.448</b>	<b>1.245</b>	<b>1.284</b>	<b>1.299</b>

Source: Company & Binaartha

Statement of Financial Position in USD Million YoY

Statement of Financial Position (In USD Mn)	2020A	2021A	2022A	2023A	2024F	2025F
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash and Cash Equivalents	1.182	1.504	1.448	1.245	1.284	1.299
Trade Accounts Receivable	537	462	568	448	460	596
Inventory	69	55	60	71	67	99
Others Current Assets	217	170	137	129	138	199
<b>Total Current Assets</b>	<b>2.006</b>	<b>2.191</b>	<b>2.212</b>	<b>1.892</b>	<b>1.948</b>	<b>2.193</b>
<b>NONCURRENT ASSETS</b>						
Fixed Assets	2.698	2.650	2.633	2.621	2.707	2.796
Oil and Gas Properties	1.276	1.193	947	870	935	1.033
Trade Receivables	163	141	112	110	150	159
Other Noncurrent Assets	1.392	1.335	1.290	1.106	1.122	1.390
<b>Total Noncurrent Assets</b>	<b>5.528</b>	<b>5.320</b>	<b>4.982</b>	<b>4.707</b>	<b>4.914</b>	<b>5.378</b>
<b>TOTAL ASSETS</b>	<b>7.534</b>	<b>7.511</b>	<b>7.195</b>	<b>6.599</b>	<b>6.862</b>	<b>7.570</b>
<b>LIABILITIES AND EQUITY</b>						
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Short-term Bank Loans	30	19	17	595	520	521
Trade Payables	215	298	236	245	224	238
Accruals	570	376	396	353	374	397
Others Current Liabilities	368	188	344	270	262	278
<b>Total Current Liabilities</b>	<b>1.183</b>	<b>881</b>	<b>993</b>	<b>1.462</b>	<b>1.380</b>	<b>1.434</b>
<b>NONCURRENT LIABILITIES</b>						
Long-term bank	354	404	335	520	561	794
Bonds Payables	1.964	1.967	1.323	0	0	0
Others Noncurrent Liabilities	1.077	973	1.102	1.076	1.085	1.152
<b>Total Noncurrent Liabilities</b>	<b>3.395</b>	<b>3.345</b>	<b>2.761</b>	<b>1.596</b>	<b>1.646</b>	<b>1.946</b>
<b>TOTAL LIABILITIES</b>	<b>4.579</b>	<b>4.226</b>	<b>3.753</b>	<b>3.059</b>	<b>3.026</b>	<b>3.380</b>
Non-controlling interest	722	760	808	842	860	913
<b>EQUITY</b>	<b>2.234</b>	<b>2.526</b>	<b>2.635</b>	<b>2.699</b>	<b>2.977</b>	<b>3.277</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>7.534</b>	<b>7.511</b>	<b>7.195</b>	<b>6.600</b>	<b>6.863</b>	<b>7.571</b>

Source: Company & Binaartha

Ratio Highlights YoY

Growth (% YoY)	2020A	2021A	2022A	2023A	2024F	2025F
Sales	-25%	5%	18%	2%	3%	6%
OP	-44%	38%	41%	-9%	2%	8%
EBITDA	-68%	264%	7%	-5%	0%	1%
NP	-492%	215%	7%	-15%	8%	9%
EPS	-492%	215%	7%	-15%	8%	9%

Profitability

Gross Margin (%)	16%	19%	22%	20%	20%	20%
Operating Margin(%)	11%	14%	17%	15%	15%	15%
EBITDA margin(%)	7%	26%	23%	22%	21%	20%
NET Profit margin(%)	-9%	10%	9%	8%	8%	8%
ROA(%)	-4%	4%	5%	4%	4%	4%
ROE(%)	-12%	12%	12%	10%	10%	10%

Stability

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

Per Share data

EPS (USD)	-0,011	0,013	0,013	0,011	0,012	0,014
EPS (IDR)	-154	179	210	177	191	209
PER (X)	-10,7	7,7	8,4	6,4	7,6	7,0
PBV (X)	1,3	0,9	1,0	0,7	0,8	0,7
EBITDA/share	0,01	0,03	0,03	0,03	0,03	0,03

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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