

PT Perusahaan Gas Negara Tbk

BUY

Infrastructure, Energy
10 June 2024

Price IDR. 1,590
Target IDR. 2,000
JKSE Index 7,331.128



Stock code
Bloomberg code PGAS IJ
Market cap (in Bn) 35,150.2
52-week high 1,650
52-week low 1,060
Free Float (%) 43.00%

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

USD/IDR-YE
2023 15,439
2024F (6m-avg) 15,810

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Investment Considerations

New Revenue contribution

- In Q1 2024 PGAS had single-digit revenue growth of +1.68%, reaching USD 949.3 million. Growth was supported by additional revenue from the LNG trading segment. Revenue from gas transmission and regasification segments increased by +1.8% and +10.9% respectively, while other segments declined.
- LNG trading contributed USD 61.08 million to total revenues, or 6% of total revenue in Q1 2024.
- Gas transmission sales recorded +1.8% YoY growth to USD 54 million in Q1 2024, with gas transported through transmission pipelines reaching 1.427 MMSCFD, a -1% YoY decline, reflecting slightly lower demand from shippers.
- Gas distribution revenue declined by -4.7% YoY or -9.5% QoQ to USD 620 million. The decline in gas sales volume was mainly due to a shortage in gas supply, stemming from reduced volumes from suppliers in the Sumatera and West Java regions.
- Oil and gas revenue also decreased by -11% YoY to USD 111 million.
- In terms of gross profit margin, both trading and transmission margins rose to 12.8% in Q1 2024.
- For 2024F, PGAS maintains a modest growth target, with gas trading volume expected to grow by +3%, transmission by +4%, and regasification by +22% due to higher demand.

Q1 2024 Results: Maintain margin improvement

- PGAS's net profit increased by +41% YoY or +58% QoQ to USD 121 million in Q1 2024, along with an improved net profit margin of 12.8% due to lower cost of revenue and lower finance costs.
- The cost of revenue decreased by -2.56% YoY to USD 737.6 million due to a decline in oil and gas upstream operations by -11.9% YoY and lower purchases of natural gas, down by -13.7%.
- PGAS maintained margin improvements, with the operating margin reaching 17.8%, up from 14.9% the previous year, and the gross profit margin improving to 22.3% from 18.9% in Q1 2023.
- Regarding the purchase agreement with Gunvor Singapore Ltd, the agreement with Gunvor LNG (2024-2027) is based on a planned eight shipments per year. Meanwhile, PGAS is exploring the possibility of procuring LNG from alternative suppliers to fulfill Gunvor's contract.

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

- We maintain our recommendation to buy PGAS shares following the performance improvement in Q1 2024. Our discounted cash flow (DCF) valuation, employing a weighted average cost of capital (WACC) of 8.56%, yields a target price of IDR 2,000 per share. This represents 26% upside potential and corresponds to a 7.8x price-to-earnings (PE) ratio within one year.

Financial Highlights	2021A	2022A	2023A	2024F	2025F
Revenue (USD Mn)	3.036	3.568	3.646	3.740	3.971
Gross Profit (USD Mn)	587	780	734	834	886
GPM (%)	19%	22%	20%	22%	22%
Net Profit (USD Mn)	304	326	277	362	393
NPM (%)	10%	9%	8%	10%	10%
EPS (USD)	0,013	0,013	0,011	0,015	0,016
EBITDA (USD Mn)	781	833	793	875	888
EBITDA Margin (%)	26%	23%	22%	23%	22%
PER (X)	7,7	8,4	6,4	8,4	7,7
PBV (X)	0,9	1,0	0,7	1,0	0,9
Tot debt/ equity (X)	1,7	1,4	1,1	1,0	1,0
Current Ratio (X)	2,5	2,2	1,3	1,4	1,6

Source: Company and Binaartha

PGAS Margin Segment

	1Q2023	1Q2024
Trading and Transmission	6,3%	12,8%
Exploration and Production of Oil and Gas	15,4%	15,0%
Other Operation	55,1%	45,9%

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	1Q2024	YoY	4Q2023	
Revenues	933,6	949,3	1,68%	956,0	-0,7%
Cost of Revenues	(756,9)	(737,6)	-2,56%	(748,1)	-1,4%
Gross Profit	176,7	211,7	19,83%	207,9	1,9%
Operating Income (Expense)	(37,6)	(42,8)	13,90%	(58,6)	-26,9%
Operating Profit	139,1	168,9	21,43%	149,3	13,2%
Others Income (Expense)	9,0	16,0	77,36%	3,8	325,5%
PBT	148,1	184,9	24,84%	153,0	20,9%
Tax	(30,2)	(39,6)	31,12%	(53,3)	-25,7%
Non-controlling interest	(32,1)	(24,3)	-24,37%	(23,4)	3,8%
Net Profit	85,9	121,1	41,02%	76,4	58,5%
EPS (USD)	0,004	0,005	41,02%	0,003	58,5%
GPM	18,9%	22,3%		21,7%	
OPM	14,9%	17,8%		15,6%	
NPM	9,2%	12,8%		8,0%	

Source: Company

Income Statement in USD Million YoY

Income Statement in USD Mn.	2020A	2021A	2022A	2023A	2024F	2025F
Revenues	2.885,5	3.036,1	3.568,5	3.646,2	3.739,9	3.971,5
Cost of Revenues	(2.415,5)	(2.449,3)	(2.788,0)	(2.912,7)	(2.905,9)	(3.085,8)
Gross Profit	470,0	586,9	780,5	733,5	834,0	885,6
Operating Income (Expense)	(166,3)	(166,5)	(188,3)	(191,8)	(198,2)	(198,6)
Operating Profit	303,7	420,3	592,2	541,8	635,8	687,1
Others Income (Expense)	(479,1)	47,6	(49,7)	(18,5)	(18,7)	(19,9)
PBT	(175,3)	468,0	542,4	523,2	617,1	667,2
Tax	(40,4)	(103,4)	(141,4)	(147,3)	(154,3)	(166,8)
Non-controlling interest	(49,0)	(60,7)	(75,1)	(98,5)	(101,0)	(107,2)
Net Profit	(264,8)	303,9	326,0	277,4	361,8	393,2
EPS (USD)	(0,011)	0,013	0,013	0,011	0,015	0,016
EBITDA	218,8	781,4	833,0	793,1	874,8	882,8

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	362	393
Depreciation	261	160	158	172	172	178
Change in WC	387	-165	34	587	-99	-274
Cash From Operating Activities	383	299	518	1.037	435	297
Change on Non-current Assets	-624	48	179	103	-379	-646
Cash From Investing Activities	-624	48	179	103	-379	-646
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	-66	22
Cash From Financing Activities	366	-25	-754	-1.343	-17	322
Net Changes in Cash	125	322	-57	-203	39	-26
Beginning Balance	1.058	1.182	1.504	1.448	1.245	1.284
Ending Balance	1.182	1.504	1.448	1.245	1.284	1.258

Source: Company & Binaartha

Statement of Financial Position in USD Million YoY

Statement of Financial Position (In USD Mn)	2020A	2021A	2022A	2023A	2024F	2025F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	1.182	1.504	1.448	1.245	1.284	1.258
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
Total Current Assets	2.006	2.191	2.212	1.892	1.948	2.151
NONCURRENT ASSETS						
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	993
Trade Receivables	163	141	112	110	150	159
Other Noncurrent Assets	1.392	1.335	1.290	1.106	1.122	1.434
Total Noncurrent Assets	5.528	5.320	4.982	4.707	4.914	5.382
TOTAL ASSETS	7.534	7.511	7.195	6.599	6.862	7.533
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	30	19	17	595	520	521
Trade Payables	215	298	236	245	224	238
Accruals	570	376	396	353	374	357
Others Current Liabilities	368	188	344	270	262	218
Total Current Liabilities	1.183	881	993	1.462	1.380	1.335
NONCURRENT LIABILITIES						
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
Total Noncurrent Liabilities	3.395	3.345	2.761	1.596	1.646	1.946
TOTAL LIABILITIES	4.579	4.226	3.753	3.059	3.026	3.281
Non-controlling interest	722	760	808	842	860	913
EQUITY	2.234	2.526	2.635	2.699	2.977	3.339
TOTAL LIABILITIES & EQUITY	7.534	7.511	7.195	6.600	6.863	7.533

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%	17%	8%
EBITDA	-68%	264%	7%	-5%	10%	2%
NP	-492%	215%	7%	-15%	30%	9%
EPS	-492%	215%	7%	-15%	30%	9%

Profitability

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

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	1,6

Per Share data

EPS (USD)	-0,011	0,013	0,013	0,011	0,015	0,016
EPS (IDR)	-154	179	210	177	239	260
PER (X)	-10,7	7,7	8,4	6,4	8,4	7,7
PBV (X)	1,3	0,9	1,0	0,7	1,0	0,9
EBITDA/share	0,01	0,03	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**.

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