

PT Perusahaan Gas Negara Tbk

BUY

Infrastructure, Energy
12 May 2020

Price	IDR.	895
Target	IDR.	1,240
JKSE Index		4,639.105



Stock code	PGAS IJ
Bloomberg code	PGAS IJ
Market cap (in Bn)	19,878.0
52-week high	2,460
52-week low	605
6-m avg.dail.val (IDR)	1,831
Free Float (%)	43.03%

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

USD/IDR-YE	
2019	14,390
2020F (6m-avg)	14,228

Analyst:
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Investment Considerations

2020 Target Revised

- As many of PGAS' customers such as restaurants, shopping malls, hotels, and steel manufactures, have shut down business due to the Covid-19 outbreak and there is lower demand from regional and domestic industrial and commercial electricity costumers, PGAS lowered their distribution volume target for 2020 to 900-925 BBTUD from 950-980 BBTUD.
- PGAS also lowered their operating expenses and capital expenditure for 2020 and will implement efficiency programs to cut operating expenses to US \$ 460 million - 530 million or 25%-35% from the 2020 budget. PGAS will also cut capital expenditure to US\$ 350 million - 500 million from US\$ 500 million – 700 million.
- As the company target has been revised and based on the 1Q2020 results we lower our PGAS revenue target to US\$ 3.6 billion down 4% from 2019FY.

Lower 1Q2020 Volume

- PGAS's consolidated distribution volume was stable +0.2% YoY to 882 BBTUD in 1Q2020. The impact of Covid-19 is starting to show up QoQ, with power industry consumption down to 342 BBTUD from 423 BBTUD in 4Q2019 and a decline in the retail segment from 571 BBTUD in 4Q2019 to 534 BBTUD.
- Gas transportation consolidated volume in March was 1,328 MMSCFD, -3,34% MoM. Lower gas transportation volume MoM is inline with lower gas demand from major customers.
- Upstream lifting also decreased, with oil gas lifting down -28% QoQ to 20,798 BOEPD. Crude oil decreased by -43% QoQ to 3,124 BOEPD, gas decreased by -26% QoQ, LPG decreased by -53% QoQ, and LNG decreased by -19% QoQ. Lower lifting volume was also impacted by the crash in oil prices.

1Q2020 Result: Lower than expected

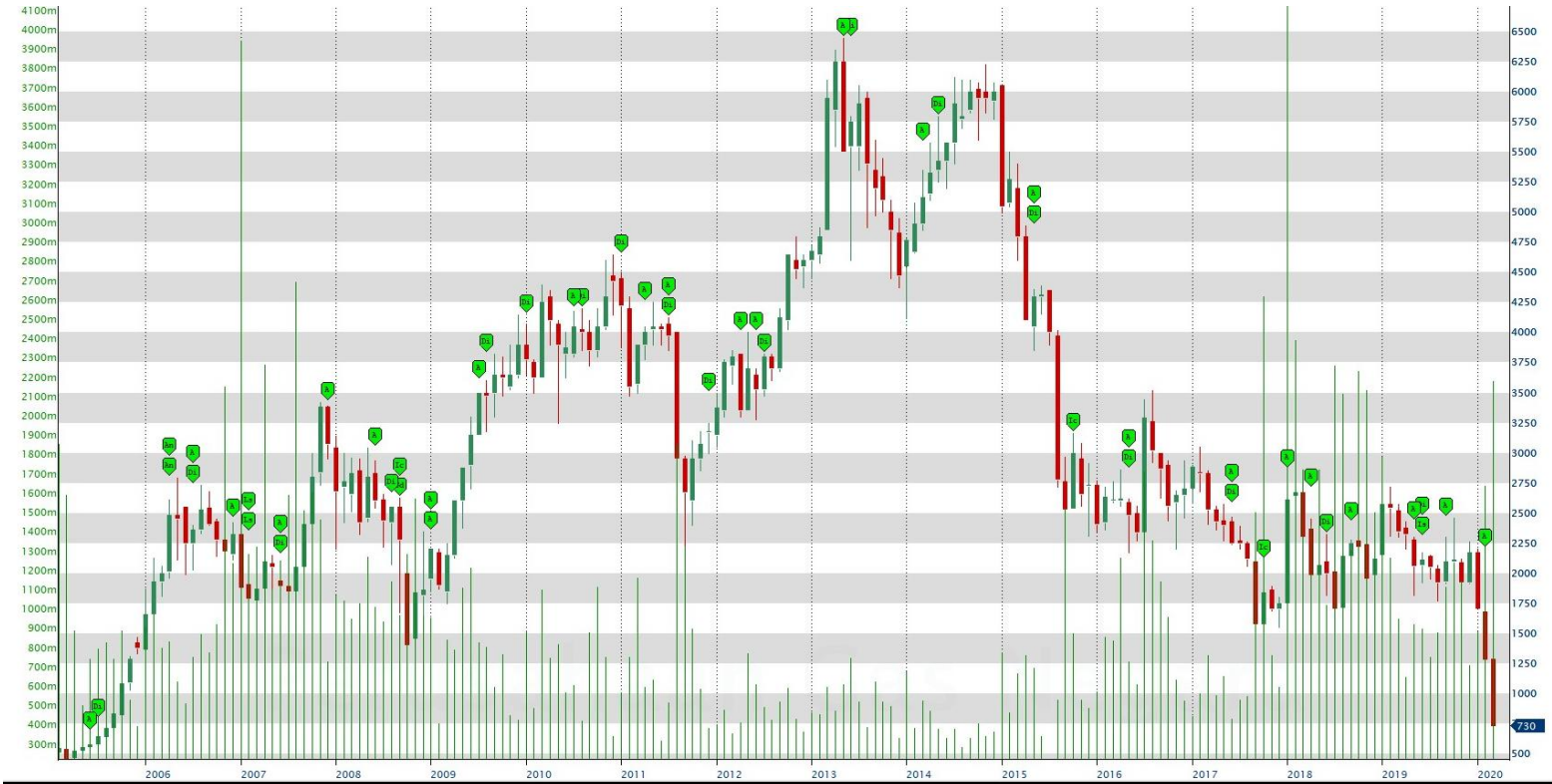
- Lower gas demand from covid-19 meant PGAS's revenue decreased slightly -0.28% YoY to US\$ 874 million (mn).
- Gross profit slightly increased by 0.7% YoY to US\$ 287 mn from a slight decrease in cost of revenue by 0.7%. Operating income increased 6% YoY to US\$ 172 mn.
- Profit before tax decreased by -21.8% YoY, because of the foreign exchange loss of USD 63 mn.
- PGAS net income of US\$47.8 mn was down -26.6% YoY from US\$ 65.1 mn in 1Q2019.

Valuation: Maintain BUY with TP 1,240

- Our DCF valuation with WACC at 7.95%, gives a target price of IDR 1,240 or 38.5% upside which is a 10x PE valuation within one year. Maintain BUY

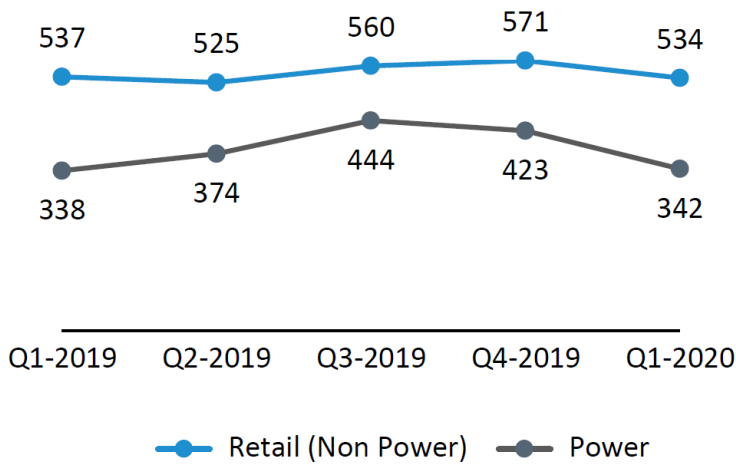
Financial Highlighths	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (USD Mn)	3.069	2.935	3.571	3.870	3.849	3.678	4.062
Gross Profit (USD Mn)	963	887	1.182	1.309	1.227	1.195	1.320
GPM (%)	31%	30%	33%	34%	32%	33%	33%
Net Profit (USD Mn)	401	304	196	305	68	67	196
NPM (%)	13%	10%	6%	8%	2%	2%	5%
EPS (USD)	0,02	0,01	0,01	0,01	0,00	0,00	0,01
EBITDA (USD Mn)	701	661	764	996	668	732	844
EBITDA Margin (%)	23%	23%	21%	26%	17%	20%	21%
Tot debt/ equity (x)	1,1	1,2	1,0	1,8	1,6	1,4	1,8

Chart: PGAS price at the lowest since 2006



Source: Cogencis

Chart: Trend of Industrial Consumption (BBTUD)



Source: Company

Table: Income Statement in USD. Million YoY

Income Statement in USD Mn.	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Revenues	3.068,8	2.934,7	2.969,5	3.870,3	3.848,7	3.678,5	4.061,6
Cost of Revenues	(2.105,7)	(2.047,8)	(2.172,4)	(2.560,8)	(2.621,3)	(2.483,0)	(2.741,6)
Gross Profit	963,1	886,9	797,1	1.309,5	1.227,3	1.195,5	1.320,0
Operating Income (Expense)	(405,6)	(442,7)	(420,2)	(664,2)	(681,0)	(654,8)	(723,0)
Operating Profit	557,5	444,2	376,9	645,3	546,3	540,7	597,1
Others Income (Expense)	(119,9)	(59,3)	(101,5)	(60,4)	(266,5)	(367,8)	(203,1)
PBT	437,6	385,0	275,4	584,9	279,9	172,9	394,0
Tax	(34,6)	(76,4)	(127,8)	(220,3)	(166,9)	(69,2)	(157,6)
Non-controlling interest	(1,6)	(4,2)	(4,6)	(59,6)	(45,4)	(36,8)	(40,6)
Net Profit	401,4	304,4	143,0	305,0	67,5	66,9	195,8
EPS (USD)	0,017	0,013	0,006	0,013	0,003	0,003	0,008
EBITDA	701,3	661,2	621,4	996,5	676,8	668,2	844,1

Source: Company & Binaartha

Table: Cash Flow in USD. Million YoY

Cash Flow (In USD Mn)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Net Income	401	304	196	305	68	67	196
Depreciation	145	144	199	258	260	430	256
Change in WC	15	-86	-248	722	-496	128	-35
Cash From Operating Activities	561	363	147	1.285	-168	625	417
Capex	-962	-81	-1.437	224	41	-806	-681
Cash From Investing Activities	-962	-81	-1.437	224	41	-806	-681
Long-term Bank Loans	780	43	-883	83	-139	45	126
Bonds Payables	2	2	620	3	3	-2	0
Others Noncurrent Liabilities	-122	-1	445	16	20	222	136
Equity	-254	-157	944	-1.414	-35	723	-813
Cash From Financing Activities	406	-113	1.126	-1.311	-152	988	-551
Net Changes in Cash	4	169	-164	197	-280	807	-814
Beginning Balance	1.131	1.136	1.304	1.140	1.338	1.058	1.865
Ending Balance	1.135	1.304	1.140	1.338	1.058	1.865	1.050

Source: Company & Binaartha

Table: Statement of Financial Position in USD. Million YoY

Statement of Financial Position (In USD Mn)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	1.136	1.304	1.056	1.338	1.058	1.865	1.050
Trade Accounts Receivable	387	555	529	746	645	809	894
Inventory	43	65	61	79	71	74	85
Others Current Assets	156	200	162	311	435	331	366
Total Current Assets	1.723	2.125	1.808	2.474	2.209	3.079	2.395
NONCURRENT ASSETS							
Fixed Assets	1.871	1.829	1.706	2.861	2.748	3.140	3.396
Oil and Gas Properties	1.636	1.709	1.595	1.411	1.396	1.334	1.476
Trade Receivables	517	451	437	287	162	110	122
Other Noncurrent Assets	748	721	747	906	859	956	971
Total Noncurrent Assets	4.772	4.709	4.485	5.466	5.165	5.541	5.965
TOTAL ASSETS	6.495	6.834	6.293	7.939	7.374	8.619	8.361
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	122	271	23	23	186	262	289
Trade Payables	202	219	190	449	441	552	569
Accruals	270	231	192	255	317	243	268
Others Current Liabilities	74	94	62	877	179	258	285
Total Current Liabilities	667	815	467	1.605	1.123	1.314	1.410
NONCURRENT LIABILITIES							
Long-term bank	1.253	1.296	414	497	357	402	528
Bonds Payables	1.334	1.335	1.955	1.959	1.961	1.959	1.959
Others Noncurrent Liabilities	218	217	270	678	698	920	1.056
Total Noncurrent Liabilities	2.805	2.849	2.640	3.133	3.016	3.281	3.543
TOTAL LIABILITIES	3.472	3.664	3.106	4.737	4.139	4.595	4.954
Non-controlling interest	2	7	19	627	673	644	711
EQUITY	3.020	3.163	3.168	2.575	2.561	3.380	2.696
TOTAL LIABILITIES & EQUITY	6.495	6.834	6.293	7.939	7.374	8.619	8.361

Source: Company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Sales	-6%	-4%	22%	8%	-1%	-4%	10%
OP	-35%	-20%	16%	25%	-15%	-1%	10%
EBITDA	-38%	-6%	16%	30%	-33%	10%	15%
NP	-44%	-24%	-35%	55%	-78%	-1%	192%
EPS	-44%	-24%	-35%	55%	-78%	-1%	192%

Profitability							
Gross Margin (%)	31%	30%	33%	34%	32%	33%	33%
Operating Margin(%)	18%	15%	14%	17%	14%	15%	15%
EBITDA margin(%)	23%	23%	21%	26%	17%	20%	21%
NET Profit margin(%)	13%	10%	6%	8%	2%	2%	5%
ROA(%)	6%	4%	2%	4%	1%	1%	2%
ROE(%)	13%	10%	5%	12%	3%	2%	7%

Stability							
Tot debt/ equity (x)	1,1	1,2	1,0	1,8	1,6	1,4	1,8
Current Ratio (X)	2,6	2,6	2,7	1,5	2,0	2,3	1,7

Per Share data (USD)							
EPS	0,02	0,01	0,01	0,01	0,00	0,00	0,01
EBITDA/share	0,03	0,03	0,03	0,04	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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