

### PT Perusahaan Gas Negara Tbk

**HOLD**

Infrastructure, Energy  
21 April 2021

Price IDR. 1,200

Target IDR. 1,375

JKSE Index 6,010.268



#### Stock code

Bloomberg code	PGAS IJ
Market cap (in Bn)	30,180
52-week high	21,895
52-week low	730
6-m avg.dail.val (IDR)	1,424
Free Float (%)	43.00%

#### Major Share Holders (%)

PERTAMINA	57.00%
Public	43.00%

#### USD/IDR-YE

2020	14,175
2021F (6m-avg)	14,285

Analyst:  
Eka Rahmawati Rahman

#### Investment Considerations

##### Expecting higher volumes

- In 2020, PGAS revenue declined by 25% YoY to US\$ 2.88 billion driven by declines in almost all business segments except revenue from fibre optic rental (+5.5% YoY). For the 4Q2020, revenue increased +7.7% QoQ to US\$ 735 million compared to 3Q2020's US\$ 682 million with higher revenue from gas transmission.
- In January – February 2021, demand showed an improvement with gas distribution volume in February 2021 up 3.3% MoM and better than November and December 2020. Upstream lifting is also showing an improvement in February, up 74% MoM to 24,035 BOEPD.
- Gas transportation volume in February decreased -1.73% MoM to 1,187 MMSCFD.
- Following the demand improvements in early 2021, we expect conditions will continue to improve this year.

##### 2020FY Results: Bellow Expectation

- PGAS recorded a net loss of US\$ 264 million in 2020FY, which is bellow our positive expectation for 2020. In the 4Q2020, PGAS experienced a net loss of US\$ 318 million and the net profit margin fell to -43.3%.
- This is inline with the decrease of PGAS's revenue in 4Q2020 -29% YoY to US\$ 734.4 million, and a 2020 decrease of -25% YoY to US\$ 2.88 billion because of the weak revenue in 2Q2020.
- Cost of revenue also dropped -22% YoY in 2020 and -18% in the 4Q2020 as gas commercial volumes were lower. But gross profit still decreased -51% YoY to US\$ 166.4 million in the 4Q2020 from lower revenue. For 2020 gross profit also decreased -31% YoY to US\$ 854 million.
- Operating income declined 44.3% YoY to US\$ 304 million in 2020 mainly driven by the lower gross profit.
- PGAS made a tax provision in 2020 of US\$ 278.3 million for VAT tax disputes for tax years 2012 and 2013. The impact was a lower net profit.
- We are conservative on 2021F profit expectations as provisioning will weigh, as well as the implementation of lower gas distribution margins by the government.

##### Valuation: HOLD, with TP 1,375

- Our DCF valuation with WACC at 8,6%, gives a target price of IDR 1,375 or 15% upside which is a 35x PE valuation within one year. We downgrade our recommendation to hold.

Financial Highlights	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Revenue (USD Mn)	2.935	3.571	3.870	3.849	2.886	3.046	3.155
Gross Profit (USD Mn)	887	1.182	1.309	1.227	855	972	1.010
GPM (%)	30%	33%	34%	32%	30%	32%	32%
Net Profit (USD Mn)	304	196	305	68	-264	53	65
NPM (%)	10%	6%	8%	2%	-9%	2%	2%
EPS (USD)	0,01	0,01	0,01	0,003	-0,011	0,002	0,003
EBITDA (USD Mn)	661	764	996	668	215	450	515
EBITDA Margin (%)	23%	21%	26%	17%	7%	15%	16%
Tot debt/ equity (x)	1,2	1,0	1,8	1,6	2,0	2,4	2,4
Current Ratio (X)	2,6	2,7	1,5	2,0	1,7	1,6	1,5

Table: Income Statement in USD. Million YoY

Income Statement in USD Mn.	2016A	2017A	2018A	2019A	2020A	2021F	2022F
<b>Revenues</b>	<b>2.934,7</b>	<b>2.969,5</b>	<b>3.870,3</b>	<b>3.848,7</b>	<b>2.885,5</b>	<b>3.045,9</b>	<b>3.155,4</b>
Cost of Revenues	(2.047,8)	(2.172,4)	(2.560,8)	(2.621,3)	(2.031,1)	(2.074,2)	(2.145,7)
<b>Gross Profit</b>	<b>886,9</b>	<b>797,1</b>	<b>1.309,5</b>	<b>1.227,3</b>	<b>854,4</b>	<b>971,6</b>	<b>1.009,7</b>
Operating Income (Expense)	(442,7)	(420,2)	(664,2)	(681,0)	(550,7)	(526,9)	(536,4)
<b>Operating Profit</b>	<b>444,2</b>	<b>376,9</b>	<b>645,3</b>	<b>546,3</b>	<b>303,7</b>	<b>444,7</b>	<b>473,3</b>
Others Income (Expense)	(59,3)	(101,5)	(60,4)	(266,5)	(479,1)	(304,6)	(315,5)
<b>PBT</b>	<b>385,0</b>	<b>275,4</b>	<b>584,9</b>	<b>279,9</b>	<b>(175,3)</b>	<b>140,1</b>	<b>157,8</b>
Tax	(76,4)	(127,8)	(220,3)	(166,9)	(40,4)	(35,0)	(39,4)
Non-controlling interest	(4,2)	(4,6)	(59,6)	(45,4)	(49,0)	(51,8)	(53,6)
<b>Net Profit</b>	<b>304,4</b>	<b>143,0</b>	<b>305,0</b>	<b>67,5</b>	<b>(264,7)</b>	<b>53,3</b>	<b>64,7</b>
<b>EPS (USD)</b>	<b>0,013</b>	<b>0,006</b>	<b>0,013</b>	<b>0,003</b>	<b>(0,011)</b>	<b>0,002</b>	<b>0,003</b>
<b>EBITDA</b>	<b>661,2</b>	<b>621,4</b>	<b>996,5</b>	<b>676,8</b>	<b>218,8</b>	<b>449,6</b>	<b>515,3</b>

Source: Company & Binaartha

Table: Cash Flow in USD. Million YoY

Cash Flow (In USD Mn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Net Income	304	196	305	68	-264	53	65
Depreciation	144	199	258	260	261	223	241
Change in WC	-86	-248	722	-496	387	42	21
<b>WC</b>							
Current Assets	821	1.095	1.136	1.151	824	822	846
Current Liabilities	815	842	1.605	1.123	1.183	1.224	1.268
WC	5	253	-469	27	-359	-402	-423
<b>Cash From Operating Activities</b>	<b>363</b>	<b>147</b>	<b>1.285</b>	<b>-168</b>	<b>383</b>	<b>318</b>	<b>327</b>
Capex	-81	-1.437	224	41	-624	-283	-515
<b>Cash From Investing Activities</b>	<b>-81</b>	<b>-1.437</b>	<b>224</b>	<b>41</b>	<b>-624</b>	<b>-283</b>	<b>-515</b>
Long-term Bank Loans	43	-883	83	-139	-3	133	18
Bonds Payables	2	620	3	3	3	-5	52
Others Noncurrent Liabilities	-1	445	16	20	379	50	41
Equity	-157	944	-1.414	-35	-14	-279	16
<b>Cash From Financing Activities</b>	<b>-113</b>	<b>1.126</b>	<b>-1.311</b>	<b>-152</b>	<b>365</b>	<b>-101</b>	<b>126</b>
<b>Net Changes in Cash</b>	<b>169</b>	<b>-164</b>	<b>197</b>	<b>-280</b>	<b>125</b>	<b>-65</b>	<b>-63</b>
<b>Beginning Balance</b>	<b>1.136</b>	<b>1.304</b>	<b>1.140</b>	<b>1.338</b>	<b>1.058</b>	<b>1.182</b>	<b>1.117</b>
<b>Ending Balance</b>	<b>1.304</b>	<b>1.140</b>	<b>1.338</b>	<b>1.058</b>	<b>1.182</b>	<b>1.117</b>	<b>1.054</b>

Table: Statement of Financial Position in USD. Million YoY

Statement of Financial Position (In USD Mn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	1.304	1.056	1.338	1.058	1.182	1.117	1.054
Trade Accounts Receivable	555	529	746	645	537	548	568
Inventory	65	61	79	71	69	61	63
Others Current Assets	200	162	311	435	217	213	215
<b>Total Current Assets</b>	<b>2.125</b>	<b>1.808</b>	<b>2.474</b>	<b>2.209</b>	<b>2.006</b>	<b>1.939</b>	<b>1.899</b>
<b>NONCURRENT ASSETS</b>							
Fixed Assets	1.829	1.706	2.861	2.748	2.698	2.920	3.162
Oil and Gas Properties	1.709	1.595	1.411	1.396	1.276	1.279	1.325
Trade Receivables	451	437	287	162	163	171	177
Other Noncurrent Assets	721	747	906	859	1.392	1.218	1.199
<b>Total Noncurrent Assets</b>	<b>4.709</b>	<b>4.485</b>	<b>5.466</b>	<b>5.165</b>	<b>5.528</b>	<b>5.589</b>	<b>5.863</b>
<b>TOTAL ASSETS</b>	<b>6.834</b>	<b>6.293</b>	<b>7.939</b>	<b>7.374</b>	<b>7.534</b>	<b>7.528</b>	<b>7.762</b>
<b>LIABILITIES AND EQUITY</b>							
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Short-term Bank Loans	271	23	23	186	30	32	33
Trade Payables	219	190	449	441	215	227	235
Accruals	231	192	255	317	570	579	600
Others Current Liabilities	94	62	877	179	368	387	401
<b>Total Current Liabilities</b>	<b>815</b>	<b>467</b>	<b>1.605</b>	<b>1.123</b>	<b>1.183</b>	<b>1.224</b>	<b>1.268</b>
<b>NONCURRENT LIABILITIES</b>							
Long-term bank	1.296	414	497	357	354	487	505
Bonds Payables	1.335	1.955	1.959	1.961	1.964	1.959	2.011
Others Noncurrent Liabilities	217	270	678	698	1.077	1.127	1.168
<b>Total Noncurrent Liabilities</b>	<b>2.849</b>	<b>2.640</b>	<b>3.133</b>	<b>3.016</b>	<b>3.395</b>	<b>3.574</b>	<b>3.683</b>
<b>TOTAL LIABILITIES</b>	<b>3.664</b>	<b>3.106</b>	<b>4.737</b>	<b>4.139</b>	<b>4.579</b>	<b>4.798</b>	<b>4.952</b>
Non-controlling interest	7	19	627	673	722	761	789
<b>EQUITY</b>	<b>3.163</b>	<b>3.168</b>	<b>2.575</b>	<b>2.561</b>	<b>2.234</b>	<b>1.969</b>	<b>2.022</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>6.834</b>	<b>6.293</b>	<b>7.939</b>	<b>7.374</b>	<b>7.535</b>	<b>7.528</b>	<b>7.763</b>

Source: Company &amp; Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Sales	-4%	22%	8%	-1%	-25%	6%	4%
OP	-20%	16%	25%	-15%	-44%	46%	6%
EBITDA	-6%	16%	30%	-33%	-68%	109%	15%
NP	-24%	-35%	55%	-78%	-492%	120%	21%
EPS	-24%	-35%	55%	-78%	-492%	120%	21%

  

Profitability							
Gross Margin (%)	30%	33%	34%	32%	30%	32%	32%
Operating Margin(%)	15%	14%	17%	14%	11%	15%	15%
EBITDA margin(%)	23%	21%	26%	17%	7%	15%	16%
NET Profit margin(%)	10%	6%	8%	2%	-9%	2%	2%
ROA(%)	4%	2%	4%	1%	-4%	1%	1%
ROE(%)	10%	5%	12%	3%	-12%	3%	3%

  

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

  

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

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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