

### PT Perusahaan Gas Negara Tbk

**HOLD**

Infrastructure, Energy  
26 February 2019

Price	IDR.	2,610
Target	IDR.	2,960
JKSE Index		6,525.358

#### Investment Considerations

##### Strong 2018FY Results post acquisition

- In 2018, PGAS's consolidated revenue reached USD 3.87 billion, +8.4% yoy (as restated) from USD 2.97 billion in FY2017. Gross profit reached USD 1.3 billion +11% yoy compared to 2017 USD 1.18 billion. EBITDA margin increased to 31.0% from 30.3%. Net Income grew +55.3% to USD 305 million, from USD 198 million in 2017. PGAS's total assets in 2018 reached USD 7.94 billion -2.9% compared to 2017's USD 8.18 billion, total liabilities were USD 4.74 billion and equity USD 2.57 billion. The debt to equity ratio in 2018 was 1.08x, higher compared to 2017 1.0x.

##### The gas sub-holding synergy

- In line with the government's Oil and Gas strategy, PGAS is now the holding company for the integrated gas (midstream and downstream) business. Through the acquisition of Pertagas and its subsidiaries, PGAS strengthens its transmission, distribution, processing, retail and trading businesses.
- PGAS's distribution volume reached new heights in 2018 at 967 MMScfd +8% yoy from 898 MMScfd in 2017. Most costumers are from the commercial, industrial and power sectors at 99.6% of total sales volume, while 0.4% came from household and small businesses. For 2019, PGAS is targeting volume at 900 – 950 MMScfd, unchanged from 2018.
- In Transmission, volume reached 2,101 MMscfd, +1% yoy. Transmission volume operated by Pertagas contributed 1,375 MMscfd, +30 MMscfd. For 2019, PGAS is targeting flat or 2,100 MMscfd transmission volume.
- With the gas sub holding synergy, we expect PGAS revenue in 2019F to reach USD 4.06 billion or +5% yoy. PGAS is still in discussions with Pertamina on the future status of upstream subsidiary SAKA Energy, as PGAS plans focus on midstream and downstream businesses only.

##### Valuation: HOLD with TP 2,960 with 13.4% Upside

- As PGAS share price has increased since November 2018, we recommend hold for now.
- A DCF valuation with WACC at 8.35%, gives a revised target price of IDR 2,960 or 13.4% upside which is a 15.4x PE valuation within one year. HOLD

Stock code	
Bloomberg code	PGAS IJ
Market cap (in Bn)	64,724.8
52-week high	2,760
52-week low	1,505
6-m avg.dail.val (IDR)	2,195
Free Float (%)	43.03%

#### Major Share Holders (%)

PERTAMINA	57.00%
Public	43.00%

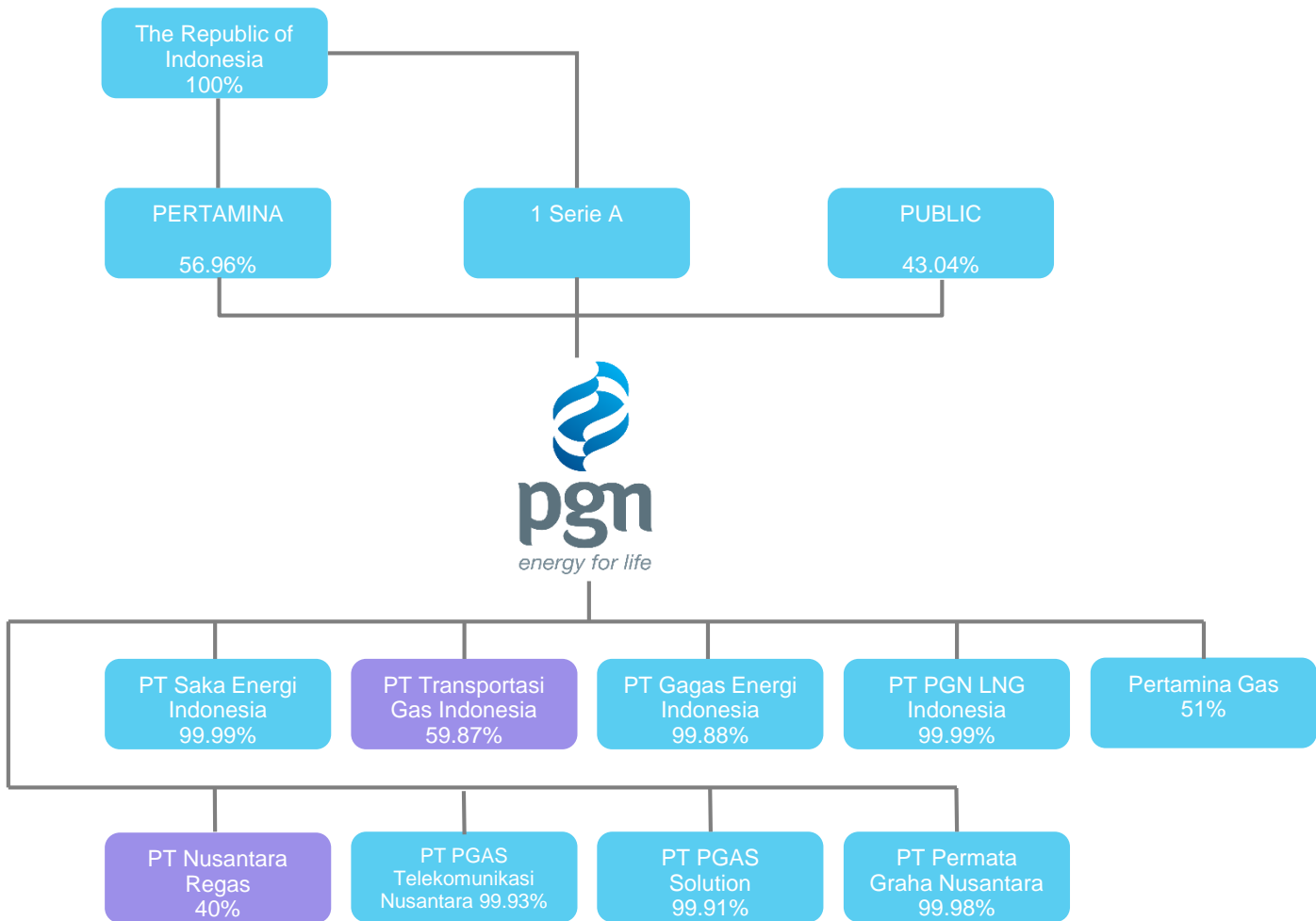
#### USD/IDR-YE

2018	14,390
2019F (6m-avg)	14,228

Analyst:  
Eka Rahmawati Rahman

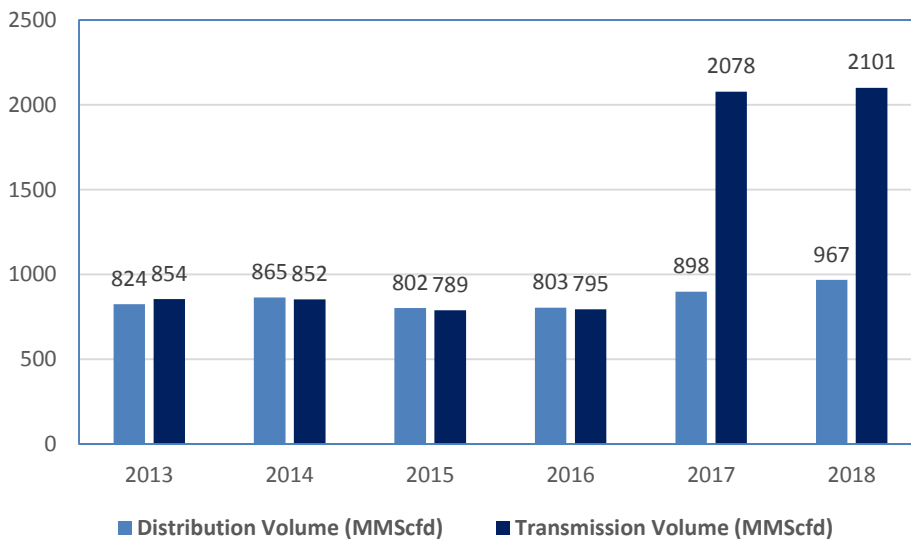
Financial Highlighths	2013A	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Revenue (USD Mn)	3,001	3,253	3,069	2,935	3,571	3,870	4,061	4,427
Gross Profit (USD Mn)	1,418	1,285	963	887	1,182	1,309	1,381	1,505
GPM (%)	47%	40%	31%	30%	33%	34%	34%	34%
Net Profit (USD Mn)	861	711	401	304	196	305	333	363
NPM (%)	29%	22%	13%	10%	6%	8%	8%	8%
EPS (USD)	0.04	0.03	0.02	0.01	0.01	0.01	0.01	0.01
EBITDA (USD Mn)	1,338	1,129	701	661	764	996	1,047	1,130
EBITDA Margin (%)	45%	35%	23%	23%	21%	26%	26%	26%
Tot debt/ equity (x)	0.6	1.0	1.1	1.2	1.0	1.8	1.3	1.2
Current Ratio (X)	2.0	2.6	2.6	2.6	2.7	1.5	1.9	1.8

Chart: Structure of PGAS and Subsidiaries



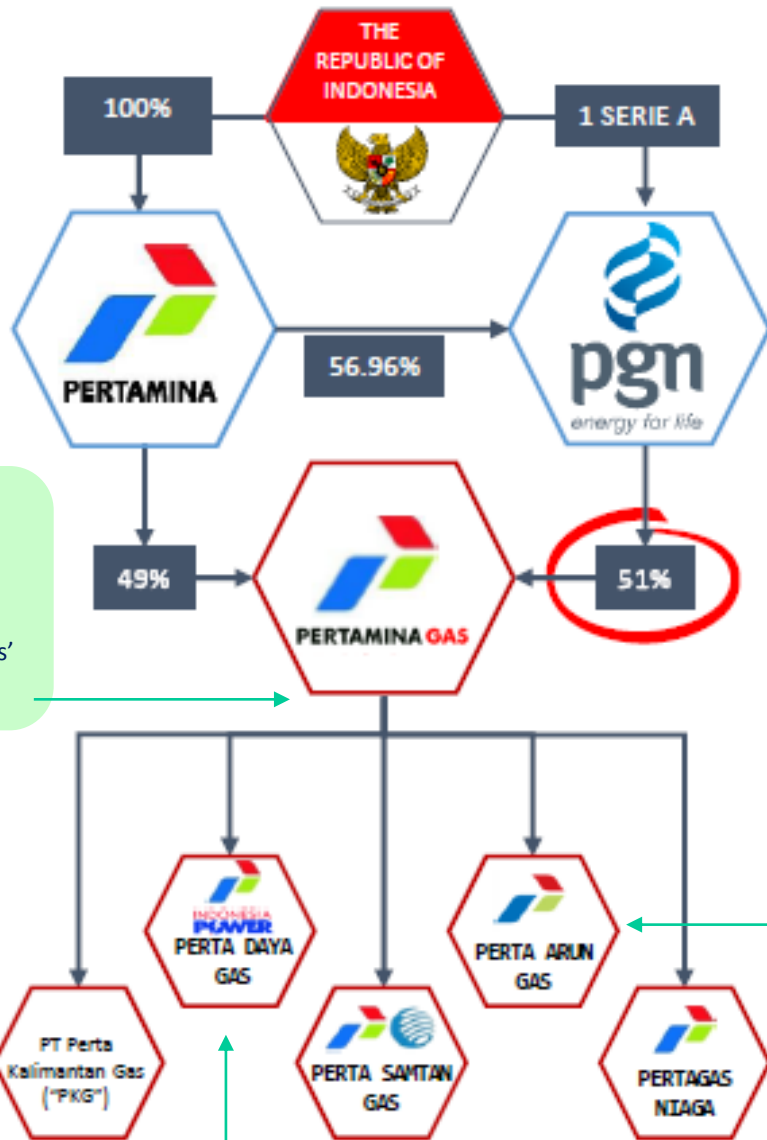
Source: Company

Chart: PGAS's Distribution Volume and Transmission Volume YoY



Source: Company

Pictures: Structure of Pertamina Gas and Subsidiaries



PTG is a Pertamina subsidiary with a focus on midstream and downstream gas industry  
 Business Line: Gas and oil transportation through Pertagas' pipelines

PAG was established to develop gas processing business mainly in Aceh and North Sumatera.  
 Business Line: LNG regasification pith PLN in Medan as main customer.

JV with Medco Gas Indonesia to operate gas procurement for JOBP Pertamina – Medco Simenggaris.  
 Business Line: Dormant company.

A gas distribution company to accommodate government regulation to separate transmission and distribution.  
 Business Line: Gas distribution, including feed and sales to consumers in Indonesia.

JV with Indonesia Power to develop CNG business in Central Java  
 Business Line: CNG gas compression with Indonesia Power as the main customer.

JV with Korean Samtan Co. Ltd. To develop gas processing In South Sumatera.  
 Business Line: LPG gas processing with Pertamina as main customer.

Source: Company

Table: Income Statement in USD. Million YoY

Income Statement in USD Mn.	2013A	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Revenues	3,001.5	3,253.4	3,068.8	2,934.7	3,570.6	3,870.3	4,060.7	4,427.5
Cost of Revenues	(1,583.5)	(1,967.9)	(2,105.7)	(2,047.8)	(2,389.1)	(2,560.8)	(2,680.0)	(2,922.1)
<b>Gross Profit</b>	<b>1,418.0</b>	<b>1,285.5</b>	<b>963.1</b>	<b>886.9</b>	<b>1,181.5</b>	<b>1,309.5</b>	<b>1,380.6</b>	<b>1,505.3</b>
Operating Income (Expense)	(484.3)	(426.5)	(405.6)	(442.7)	(666.6)	(664.2)	(690.3)	(752.7)
<b>Operating Profit</b>	<b>933.7</b>	<b>859.0</b>	<b>557.5</b>	<b>444.2</b>	<b>514.9</b>	<b>645.3</b>	<b>690.3</b>	<b>752.7</b>
Others Income (Expense)	191.4	70.8	(119.9)	(59.3)	(97.0)	(60.4)	(65.0)	(70.8)
<b>PBT</b>	<b>1,125.1</b>	<b>929.8</b>	<b>437.6</b>	<b>385.0</b>	<b>418.0</b>	<b>584.9</b>	<b>625.3</b>	<b>681.8</b>
Tax	(231.2)	(218.8)	(34.6)	(76.4)	(164.7)	(220.3)	(231.4)	(252.3)
Non-controlling interest	(33.4)	0.2	(1.6)	(4.2)	(56.9)	(59.6)	(60.9)	(66.4)
<b>Net Profit</b>	<b>860.5</b>	<b>711.2</b>	<b>401.4</b>	<b>304.4</b>	<b>196.4</b>	<b>305.0</b>	<b>333.1</b>	<b>363.1</b>
<b>EPS (USD)</b>	<b>0.035</b>	<b>0.029</b>	<b>0.017</b>	<b>0.013</b>	<b>0.008</b>	<b>0.013</b>	<b>0.014</b>	<b>0.015</b>
<b>EBITDA</b>	<b>1,337.6</b>	<b>1,129.1</b>	<b>701.3</b>	<b>661.2</b>	<b>764.0</b>	<b>996.5</b>	<b>1,046.7</b>	<b>1,130.4</b>

Source: Company & Binaartha

Table: Cash Flow in USD. Million YoY

Cash Flow (In USD Mn)	2013A	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Net Income	861	711	401	304	196	305	333	363
Depreciation	186	126	145	144	199	258	294	319
Change in WC		(359)	15	(86)	(248)	722	(21)	83
<b>Cash From Operating Activities</b>	<b>1,046</b>	<b>478</b>	<b>561</b>	<b>363</b>	<b>147</b>	<b>1,285</b>	<b>606</b>	<b>766</b>
Capex	(844)	(1,498)	(962)	(81)	(1,437)	224	(719)	(848)
<b>Cash From Investing Activities</b>	<b>(844)</b>	<b>(1,498)</b>	<b>(962)</b>	<b>(81)</b>	<b>(1,437)</b>	<b>224</b>	<b>(719)</b>	<b>(848)</b>
Long-term Bank Loans	(228)	(139)	780	43	(883)	83	(61)	(34)
Bonds Payables	0	1,332	2	2	620	3	1	0
Others Noncurrent Liabilities	(102)	201	(122)	(1)	445	16	13	62
Equity	(488)	(563)	(254)	(157)	944	(1,414)	746	29
<b>Cash From Financing Activities</b>	<b>(819)</b>	<b>832</b>	<b>406</b>	<b>(113)</b>	<b>1,126</b>	<b>(1,311)</b>	<b>699</b>	<b>57</b>
<b>Net Changes in Cash</b>		<b>(188)</b>	<b>4</b>	<b>169</b>	<b>(164)</b>	<b>197</b>	<b>585</b>	<b>(25)</b>
<b>Beginning Balance</b>	<b>1,567</b>	<b>1,319</b>	<b>1,131</b>	<b>1,136</b>	<b>1,304</b>	<b>1,140</b>	<b>1,338</b>	<b>1,923</b>
<b>Ending Balance</b>	<b>1,567</b>	<b>1,131</b>	<b>1,135</b>	<b>1,304</b>	<b>1,140</b>	<b>1,338</b>	<b>1,923</b>	<b>1,898</b>

Source: Company & Binaartha

Table: Statement of Financial Position in USD. Million YoY

Statement of Financial Position (In USD Mn)	2013A	2014A	2015A	2016A	2017A	2018A	2019F	2020F
<b>ASSETS</b>								
<b>CURRENT ASSETS</b>								
Cash and Cash Equivalents	1,319	1,131	1,136	1,304	1,140	1,338	1,923	1,898
Trade Accounts Receivable	316	378	387	555	713	746	731	797
Inventory	15	63	43	65	74	79	81	89
Others Current Assets	131	164	156	200	308	311	325	354
<b>Total Current Assets</b>	<b>1,781</b>	<b>1,735</b>	<b>1,723</b>	<b>2,125</b>	<b>2,236</b>	<b>2,474</b>	<b>3,060</b>	<b>3,137</b>
<b>NONCURRENT ASSETS</b>								
Fixed Assets	1,837	1,771	1,871	1,829	2,897	2,861	3,120	3,401
Oil and Gas Properties	433	1,417	1,636	1,709	1,595	1,411	1,481	1,614
Trade Receivables	40	62	517	451	458	287	301	329
Other Noncurrent Assets	273	705	748	721	997	906	990	1,076
<b>Total Noncurrent Assets</b>	<b>2,583</b>	<b>3,955</b>	<b>4,772</b>	<b>4,709</b>	<b>5,948</b>	<b>5,466</b>	<b>5,891</b>	<b>6,420</b>
<b>TOTAL ASSETS</b>	<b>4,363</b>	<b>5,689</b>	<b>6,495</b>	<b>6,834</b>	<b>8,183</b>	<b>7,939</b>	<b>8,951</b>	<b>9,558</b>
<b>LIABILITIES AND EQUITY</b>								
<b>LIABILITIES</b>								
<b>CURRENT LIABILITIES</b>								
Short-term Bank Loans	300	48	122	271	23	23	24	27
Trade Payables	158	253	202	219	360	449	365	456
Accruals	180	281	270	231	289	255	302	314
Others Current Liabilities	247	88	74	94	170	877	893	974
<b>Total Current Liabilities</b>	<b>886</b>	<b>669</b>	<b>667</b>	<b>815</b>	<b>842</b>	<b>1,605</b>	<b>1,585</b>	<b>1,770</b>
<b>NONCURRENT LIABILITIES</b>								
Long-term bank	612	473	1,253	1,296	414	497	436	402
Bonds Payables	0	1,332	1,334	1,335	1,955	1,959	1,959	1,959
Others Noncurrent Liabilities	138	340	218	217	662	678	690	753
<b>Total Noncurrent Liabilities</b>	<b>750</b>	<b>2,145</b>	<b>2,805</b>	<b>2,849</b>	<b>3,031</b>	<b>3,133</b>	<b>3,086</b>	<b>3,114</b>
<b>TOTAL LIABILITIES</b>	<b>1,636</b>	<b>2,814</b>	<b>3,472</b>	<b>3,664</b>	<b>3,873</b>	<b>4,737</b>	<b>4,670</b>	<b>4,885</b>
Minority interest	182	0	2	7	570	627	650	708
<b>EQUITY</b>	<b>2,545</b>	<b>2,875</b>	<b>3,020</b>	<b>3,163</b>	<b>3,741</b>	<b>2,575</b>	<b>3,631</b>	<b>3,964</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>4,363</b>	<b>5,690</b>	<b>6,495</b>	<b>6,834</b>	<b>8,183</b>	<b>7,939</b>	<b>8,951</b>	<b>9,558</b>

Source: Company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2013A	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Sales	16%	8%	-6%	-4%	22%	8%	5%	9%
OP	-8%	-8%	-35%	-20%	16%	25%	7%	9%
EBITDA	-2%	-16%	-38%	-6%	16%	30%	5%	8%
NP	-3%	-17%	-44%	-24%	-35%	55%	9%	9%
EPS	-3%	-17%	-44%	-24%	-35%	55%	9%	9%

Profitability								
Gross Margin (%)	47%	40%	31%	30%	33%	34%	34%	34%
Operating Margin(%)	31%	26%	18%	15%	14%	17%	17%	17%
EBITDA margin(%)	45%	35%	23%	23%	21%	26%	26%	26%
NET Profit margin(%)	29%	22%	13%	10%	6%	8%	8%	8%
ROA(%)	20%	12%	6%	4%	2%	4%	4%	4%
ROE(%)	34%	25%	13%	10%	5%	12%	9%	9%

Stability								
Tot debt/ equity (x)	0.6	1.0	1.1	1.2	1.0	1.8	1.3	1.2
Current Ratio (X)	2.0	2.6	2.6	2.6	2.7	1.5	1.9	1.8

Per Share data (USD)								
EPS	0.04	0.03	0.02	0.01	0.01	0.01	0.01	0.01
EBITDA/share	0.06	0.05	0.03	0.03	0.03	0.04	0.04	0.05

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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