

PT Perusahaan Gas Negara Tbk

BUY

Infrastructure, Energy
28 September 2022

Price IDR. 1,750

Target IDR. 2,590

JKSE Index 7,112.449



Stock code

Bloomberg code PGAS IJ
Market cap (in Bn) 42,422.6
52-week high 1,990
52-week low 1,105
6-m avg.dail.val (IDR) 1,632
Free Float (%) 43.00%

Major Share Holders (%)

PERTAMINA 57.00%
Public 43.00%

USD/IDR-YE

2021 14,310
2022F (6m-avg) 14,600

Analyst:
Eka Rahmawati Rahman

Investment Considerations

Upstream revenue higher

- Upstream oil & gas maintained strong growth, +125% YoY and +40.4% QoQ to USD 172 million due to higher crude oil and gas prices. This boosted PGAS total revenue +23.45% YoY, +8% QoQ to USD 903.2 million in 2Q2022. For 1H2022, PGAS revenue reached USD 1.74 billion, +18.8% YoY with upstream business growth of +131% YoY to USD 294.2 million.
- Gas distribution revenue also increased +6.7% YoY to USD 607.6 million, inline with a transmission sales increase of +26% YoY to USD 59 million as gas sales volume was higher from strong industrial demand.
- In term of gross profit margin, trading and transmission margins were lower at 13.4% compared to 13.8% in the 1Q2022. Exploration and production of oil and gas jumped to 47.5% from 31.9% in 1Q2022 due to higher crude oil prices.
- We are targeting PGAS revenue in 2022F to reach USD 3.6 billion or +21% growth.

2Q2022: Higher Operating Profit

- With higher revenue, PGAS net profit grew +21.3% YoY to USD 238.5 million in 1H2022, with a slightly higher net profit margin of 13.7%. For the 2Q2022, PGAS net profit decreased -11.1% YoY, but was higher by +94.7% QoQ, to USD 120 million because of higher income tax expenses (+931%YoY to USD 62.8 million) due to the higher upstream revenue.
- PGAS operating profit was higher, +93.2% QoQ and +61.5 YoY to USD 185.4 million with operating expenses down -63.2% YoY. This resulted in a higher OPM of 20.5% in 2Q2022 from 13.1% in 1Q2022.
- Profit before taxes was also higher +34% YoY or +93% QoQ to USD 201.3 million, helped by lower finance costs which were down -29.4% YoY, and higher gains in foreign exchange, +150% YoY.
- As the upstream business continues its upward trend, we expect PGAS's net profit in 2022F will reach USD 490.7 million or +61.5% YoY.

Valuation: BUY, with TP 2,590

- We maintain our recommendation to buy as we expect upstream business to maintain an upward trend. Our DCF valuation with WACC at 15%, gives a target price of IDR 2,590 or 49% upside which is a 7.4x PE valuation within one year.

Financial Highligths	2018A	2019A	2020A	2021A	2022F	2023F
Revenue (USD Mn)	3.870	3.849	2.886	3.036	3.669	4.242
Gross Profit (USD Mn)	1.309	1.227	470	587	881	1.018
GPM (%)	34%	32%	16%	19%	24%	24%
Net Profit (USD Mn)	305	68	-264	304	491	567
NPM (%)	8%	2%	-9%	10%	13%	13%
EPS (USD)	0,01	0,003	-0,011	0,013	0,020	0,023
EBITDA (USD Mn)	996	668	215	781	1.157	1.318
EBITDA Margin (%)	26%	17%	7%	26%	32%	31%
Tot debt/ equity (x)	1,8	1,6	2,0	1,7	1,4	1,2
Current Ratio (X)	1,5	2,0	1,7	2,5	2,2	2,3

Source: Company and Binaartha

Table: Segment Revenue in USD million QoQ

	1Q2022	2Q2022	QoQ	2Q2021	YoY	1H2021	1H2022	YoY
Distribution	609,735	607,554	-0,4%	569,546	6,7%	1165,879	1217,289	4,4%
Transmission	56,98	59	3,4%	47	26,1%	105,817	115,89	9,5%
Upstream Oil & Gas	122,407	172	40,4%	76	124,7%	127,52	294,22	130,7%
Others	47,777	65	35,9%	39	67,8%	65,325	112,705	72,5%

Source: Company

Table: Margin Segment

	1Q2022	2Q2022	1H2021	1H2022
Trading and Transmission	13,8%	13,4%	15,1%	13,6%
Exploration and Production of Oil and Gas	31,9%	47,5%	2,2%	41,2%
Other Operation	48,0%	40,7%	23,1%	43,9%

Source: Company

Table: Income Statement in USD. Million QoQ

Income Statement in USD Mn.	1Q2022	2Q2022	QoQ	1H2021	1H2022	YoY	2Q2021	YoY
Revenues	733,1	903,2	23,2%	1.464,5	1.740,1	18,8%	731,4	23,5%
Cost of Revenues	(531,7)	(668,4)	25,7%	(1.014,3)	(1.319,3)	30,1%	(482,6)	38,5%
Gross Profit	201,5	234,8	16,5%	450,3	420,8	-6,5%	248,8	-5,6%
Operating Income (Expense)	(105,5)	(49,4)	-53,2%	(239,5)	(81,2)	-66,1%	(134,0)	-63,2%
Operating Profit	95,9	185,4	93,2%	210,7	339,7	61,2%	114,8	61,5%
Others Income (Expense)	8,4	16,0	89,9%	44,3	29,8	-32,8%	35,9	-55,6%
PBT	104,3	201,3	93,0%	255,0	369,4	44,9%	150,7	33,6%
Tax	(27,6)	(62,8)	127,2%	(33,7)	(91,2)	170,4%	(6,1)	930,9%
Non-controlling interest	(15,1)	(18,6)	23,4%	(24,7)	(39,8)	60,8%	(9,7)	93,0%
Net Profit	61,6	120,0	94,7%	196,6	238,5	21,3%	135,0	-11,1%
EPS (USD)	0,003	0,0	94,7%	0,008	0,010	21,3%	0,006	-11,1%
GPM	27,5%	26,0%		30,7%	24,2%		34,0%	
OPM	13,1%	20,5%		14,4%	19,5%		15,7%	
NPM	8,4%	13,3%		13,4%	13,7%		18,5%	

Source: Company

Table: Income Statement in USD. Million YoY

Income Statement in USD Mn.	2016A	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Revenues	2.934,7	2.969,5	3.870,3	3.848,7	2.885,5	3.036,1	3.668,9	4.242,2
Cost of Revenues	(2.047,8)	(2.172,4)	(2.560,8)	(2.621,3)	(2.415,5)	(2.449,3)	(2.788,4)	(3.224,1)
Gross Profit	886,9	797,1	1.309,5	1.227,3	470,0	586,9	880,5	1.018,1
Operating Income (Expense)	(442,7)	(420,2)	(664,2)	(681,0)	(166,3)	(166,5)	(176,1)	(203,6)
Operating Profit	444,2	376,9	645,3	546,3	303,7	420,3	704,4	814,5
Others Income (Expense)	(59,3)	(101,5)	(60,4)	(266,5)	(479,1)	47,6	62,4	72,1
PBT	385,0	275,4	584,9	279,9	(175,3)	468,0	766,8	886,6
Tax	(76,4)	(127,8)	(220,3)	(166,9)	(40,4)	(103,4)	(191,7)	(221,7)
Non-controlling interest	(4,2)	(4,6)	(59,6)	(45,4)	(49,0)	(60,7)	(84,4)	(97,6)
Net Profit	304,4	143,0	305,0	67,5	(264,8)	303,9	490,7	567,4
EPS (USD)	0,013	0,006	0,013	0,003	(0,011)	0,013	0,020	0,023
EBITDA	661,2	621,4	996,5	676,8	218,8	781,4	1.157,0	1.317,6

Source: Company & Binaartha

Table: Cash Flow in USD. Million YoY

Cash Flow (In USD Mn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Net Income	196	305	68	-264	304	491	567
Depreciation	199	258	260	261	160	160	165
Change in WC	-248	722	-496	387	-165	30	-180
Cash From Operating Activities	147	1.285	-168	383	299	680	552
Capex	-1.437	224	41	-624	48	-298	-791
Cash From Investing Activities	-1.437	224	41	-624	48	-298	-791
Long-term Bank Loans	-883	83	-139	-3	50	22	40
Bonds Payables	620	3	3	3	3	-229	0
Others Noncurrent Liabilities	445	16	20	379	-103	-136	11
Equity	944	-1.414	-35	-14	26	-29	67
Cash From Financing Activities	1.126	-1.311	-152	366	-25	-372	118
Net Changes in Cash	-164	197	-280	125	322	10	-121
Beginning Balance	1.304	1.140	1.338	1.058	1.182	1.504	1.515
Ending Balance	1.140	1.338	1.058	1.182	1.504	1.515	1.393

Source: Company & Binaartha

Table: Statement of Financial Position in USD. Million YoY

Statement of Financial Position (In USD Mn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	1.056	1.338	1.058	1.182	1.504	1.515	1.393
Trade Accounts Receivable	529	746	645	537	462	619	717
Inventory	61	79	71	69	55	66	76
Others Current Assets	162	311	435	217	170	147	170
Total Current Assets	1.808	2.474	2.209	2.006	2.191	2.346	2.356
NONCURRENT ASSETS							
Fixed Assets	1.706	2.861	2.748	2.698	2.650	2.730	2.813
Oil and Gas Properties	1.595	1.411	1.396	1.276	1.193	1.284	1.485
Trade Receivables	437	287	162	163	141	178	205
Other Noncurrent Assets	747	906	859	1.392	1.335	1.265	1.581
Total Noncurrent Assets	4.485	5.466	5.165	5.528	5.320	5.457	6.083
TOTAL ASSETS	6.293	7.939	7.374	7.534	7.511	7.804	8.440
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	23	23	186	30	19	58	67
Trade Payables	190	449	441	215	298	317	318
Accruals	192	255	317	570	376	392	358
Others Current Liabilities	62	877	179	368	188	289	263
Total Current Liabilities	467	1.605	1.123	1.183	881	1.055	1.006
NONCURRENT LIABILITIES							
Long-term bank	414	497	357	354	404	427	467
Bonds Payables	1.955	1.959	1.961	1.964	1.967	1.738	1.738
Others Noncurrent Liabilities	270	678	698	1.077	973	837	848
Total Noncurrent Liabilities	2.640	3.133	3.016	3.395	3.345	3.002	3.053
TOTAL LIABILITIES	3.106	4.737	4.139	4.579	4.226	4.057	4.059
Non-controlling interest	19	627	673	722	760	917	1.061
EQUITY	3.168	2.575	2.561	2.234	2.526	2.830	3.320
TOTAL LIABILITIES & EQUITY	6.293	7.939	7.374	7.535	7.512	7.804	8.440

Source: Company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2017A	2018A	2019A	2020A	2021A	2022F	2023F
Sales	22%	8%	-1%	-25%	5%	21%	16%
OP	16%	25%	-15%	-44%	38%	68%	16%
EBITDA	16%	30%	-33%	-68%	264%	48%	14%
NP	-35%	55%	-78%	-492%	215%	62%	16%
EPS	-35%	55%	-78%	-492%	215%	62%	16%

Profitability							
Gross Margin (%)	33%	34%	32%	16%	19%	24%	24%
Operating Margin(%)	14%	17%	14%	11%	14%	19%	19%
EBITDA margin(%)	21%	26%	17%	7%	26%	32%	31%
NET Profit margin(%)	6%	8%	2%	-9%	10%	13%	13%
ROA(%)	2%	4%	1%	-4%	4%	6%	7%
ROE(%)	5%	12%	3%	-12%	12%	17%	17%

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

Per Share data (USD)							
EPS	0,008	0,013	0,003	-0,011	0,013	0,020	0,023
EBITDA/share	0,03	0,04	0,03	0,01	0,03	0,05	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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