

PT Perusahaan Gas Negara Tbk

BUY

Infrastructure, Energy
2 April 2020

Price	IDR.	735
Target	IDR.	1,630
JKSE Index		4,466.037



Stock code

Bloomberg code	PGAS IJ
Market cap (in Bn)	16,484.2
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:
Eka Rahmawati Rahman

Investment Considerations

Lower Feb Volume and Price

- On March 18, 2020 the government decided to reduce the average gate gas price to US\$6/mmbtu starting April 1, 2020. In line with that, the upstream gas price should be reduced to between US\$4-US\$4.5/mmbtu, transportation and distribution costs to US\$1.5-US\$2/mmbtu.
- PGAS's consolidated distribution volume slightly decreased -1.4% MoM to 876 BBTUD in February. Both PGAS and Pertagas recorded declines because distribution volumes was affected by the Covid-19 outbreak.
- Gas transportation consolidated volume in February was 1,374 MMSCFD, +3.6% MoM. PGAS only transmission volumes declined 33% MoM to 9 BBTUD while Pertagas transmission volume rose +1.6% to 1,366 MMSCFD.
- Upstream lifting increased +1.4% MoM to 20,811 BOEPD.
- We expect the COVID-19 outbreak will result in lower PGAS sales volume especially in 1Q2020.

2019FY Result: Lower than expected

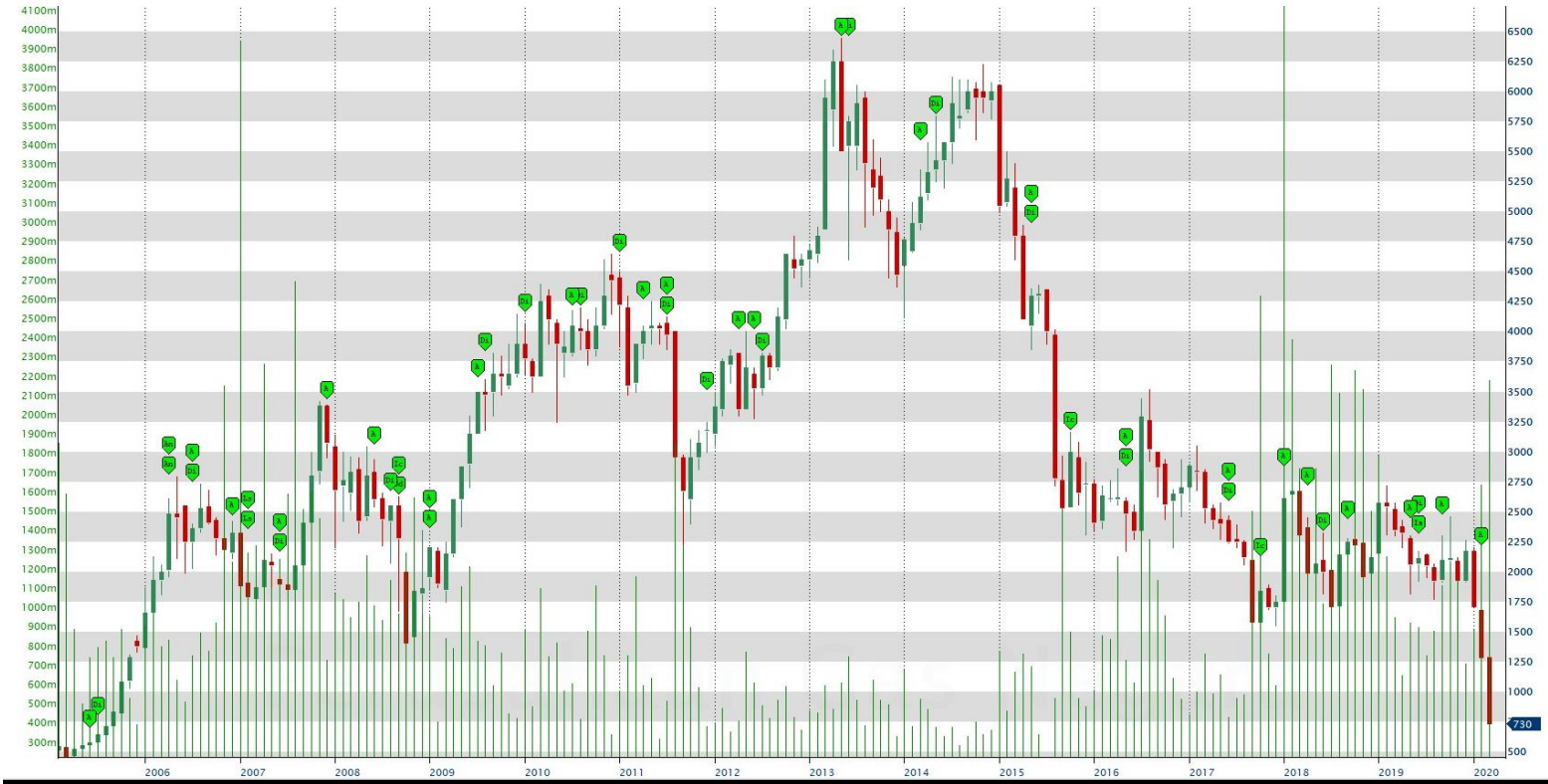
- Despite volume growth +3% YoY in 2019, PGAS's revenue decreased slightly -0.56% YoY to US\$ 3.37 billion (bn). The result was just 2,7% lower than our forecast. Most of the revenue, 77%, came from Gas distribution at US\$ 2.97, up +6,5% YoY.
- Gross profit decreased by -6.27% YoY to US\$1.22 bn. Operating income decreased by 15.3% YoY to US\$ 546 mn.
- Profit before tax decreased by -52,2% YoY inline with higher other expenses, i.e: (i) higher interest expense of US\$ 6.8 mn; (ii.) a forex loss of US\$18.4 mn; (iii.) lower interest income of US\$28.8 mn from PT Saka Energi Indonesia and PT Kalimantan Java; and (iv.) lower derivative interest income of US\$4.5 mn.
- PGAS recorded net income of US\$67.6 mn, down -78% YoY from US\$ 305 mn in 2018.

Valuation: Maintain BUY with TP 1,630

- PGAS price is at the lowest level since 2006, but we remain confident in the company fundamental and recommended to Buy.
- A DCF valuation with WACC at 11.7%, gives a target price of IDR 1,630 or 122% upside which is a 19x PE valuation within one year. BUY.

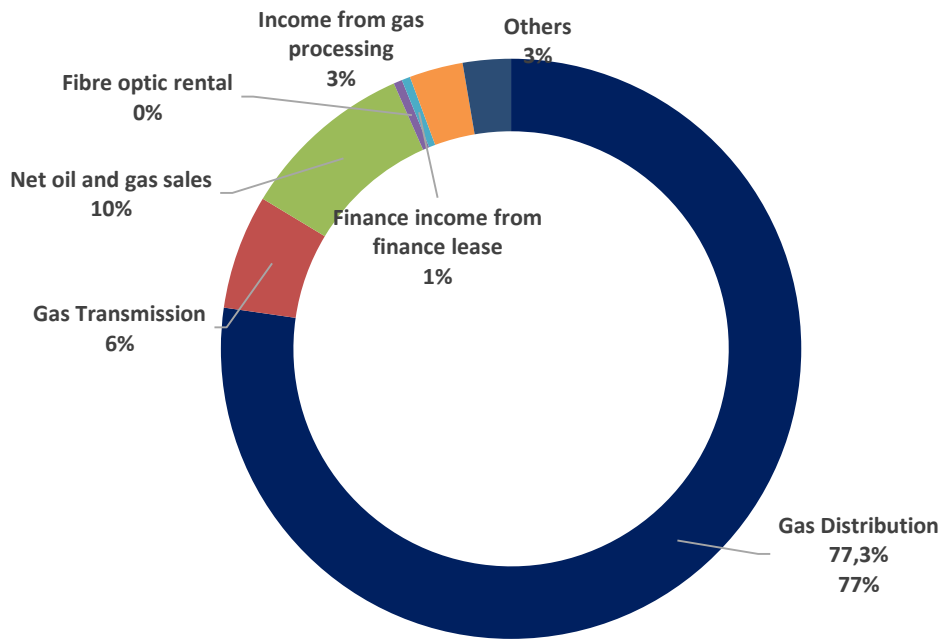
Financial Highlighths	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (USD Mn)	3.069	2.935	3.571	3.870	3.849	3.999	4.062
Gross Profit (USD Mn)	963	887	1.182	1.309	1.227	1.280	1.300
GPM (%)	31%	30%	33%	34%	32%	32%	32%
Net Profit (USD Mn)	401	304	196	305	68	134	149
NPM (%)	13%	10%	6%	8%	2%	3%	4%
EPS (USD)	0,02	0,01	0,01	0,01	0,00	0,01	0,01
EBITDA (USD Mn)	701	661	764	996	668	696	705
EBITDA Margin (%)	23%	23%	21%	26%	17%	17%	17%
Tot debt/ equity (x)	1,1	1,2	1,0	1,8	1,6	1,2	1,6

Chart: PGAS price at the lowest since 2006



Source: Cogencis

Chart: Revenue Contribution 2019FY



Source: Company

Table: Income Statement in USD. Million YoY

Income Statement in USD Mn.	2014A	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Revenues	3.253,4	3.068,8	2.934,7	3.570,6	3.870,3	3.848,7	3.999,3	4.061,6
Cost of Revenues	(1.967,9)	(2.105,7)	(2.047,8)	(2.389,1)	(2.560,8)	(2.621,3)	(2.719,5)	(2.761,9)
Gross Profit	1.285,5	963,1	886,9	1.181,5	1.309,5	1.227,3	1.279,8	1.299,7
Operating Income (Expense)	(426,5)	(405,6)	(442,7)	(666,6)	(664,2)	(681,0)	(699,9)	(710,8)
Operating Profit	859,0	557,5	444,2	514,9	645,3	546,3	579,9	588,9
Others Income (Expense)	70,8	(119,9)	(59,3)	(97,0)	(60,4)	(266,5)	(275,9)	(259,9)
PBT	929,8	437,6	385,0	418,0	584,9	279,9	303,9	329,0
Tax	(218,8)	(34,6)	(76,4)	(164,7)	(220,3)	(166,9)	(121,6)	(131,6)
Non-controlling interest	0,2	(1,6)	(4,2)	(56,9)	(59,6)	(45,4)	(48,0)	(48,7)
Net Profit	711,2	401,4	304,4	196,4	305,0	67,5	134,4	148,7
EPS (USD)	0,029	0,017	0,013	0,008	0,013	0,003	0,006	0,006
EBITDA	1.129,1	701,3	661,2	764,0	996,5	667,5	695,5	705,3

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	134	149
Depreciation	145	144	199	258	260	262	243
Change in WC	15	-86	-248	722	-496	-7	54
Cash From Operating Activities	561	363	147	1.285	-168	389	445
Capex	-962	-81	-1.437	224	41	-828	-432
Cash From Investing Activities	-962	-81	-1.437	224	41	-828	-432
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	-101	88
Equity	-254	-157	944	-1.414	-35	711	-755
Cash From Financing Activities	406	-113	1.126	-1.311	-152	653	-541
Net Changes in Cash	4	169	-164	197	-280	215	-528
Beginning Balance	1.131	1.136	1.304	1.140	1.338	1.058	1.273
Ending Balance	1.135	1.304	1.140	1.338	1.058	1.273	745

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	1.140	1.338	1.058	1.273	745
Trade Accounts Receivable	387	555	713	746	645	698	690
Inventory	43	65	74	79	71	80	85
Others Current Assets	156	200	308	311	435	400	366
Total Current Assets	1.723	2.125	2.236	2.474	2.209	2.451	1.887
NONCURRENT ASSETS							
Fixed Assets	1.871	1.829	2.897	2.861	2.748	2.972	3.215
Oil and Gas Properties	1.636	1.709	1.595	1.411	1.396	1.450	1.476
Trade Receivables	517	451	458	287	162	394	301
Other Noncurrent Assets	748	721	997	906	859	914	929
Total Noncurrent Assets	4.772	4.709	5.948	5.466	5.165	5.731	5.921
TOTAL ASSETS	6.495	6.834	8.183	7.939	7.374	8.182	7.807
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	122	271	23	23	186	193	196
Trade Payables	202	219	360	449	441	461	468
Accruals	270	231	289	255	317	304	309
Others Current Liabilities	74	94	170	877	179	186	189
Total Current Liabilities	667	815	842	1.605	1.123	1.144	1.162
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	662	678	698	596	684
Total Noncurrent Liabilities	2.805	2.849	3.031	3.133	3.016	2.958	3.172
TOTAL LIABILITIES	3.472	3.664	3.873	4.737	4.139	4.102	4.333
Minority interest	2	7	570	627	673	700	711
EQUITY	3.020	3.163	3.741	2.575	2.561	3.380	2.763
TOTAL LIABILITIES & EQUITY	6.495	6.834	8.183	7.939	7.374	8.182	7.807

Source: Company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Sales	-6%	-4%	22%	8%	-1%	4%	2%
OP	-35%	-20%	16%	25%	-15%	6%	2%
EBITDA	-38%	-6%	16%	30%	-33%	4%	1%
NP	-44%	-24%	-35%	55%	-78%	99%	11%
EPS	-44%	-24%	-35%	55%	-78%	99%	11%

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

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

Per Share data (USD)							
EPS	0,02	0,01	0,01	0,01	0,00	0,01	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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