

PT Perusahaan Gas Negara Tbk

HOLD

Infrastructure, Energy
31 October 2019

Price IDR. 2,440
Target IDR. 2,700
JKSE Index 6,295.747



Stock code
Bloomberg code PGAS IJ
Market cap (in Bn) 59,149.3
52-week high 2,720
52-week low 1,775
6-m avg.dail.val (IDR) 2,060
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:
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Investment Considerations

9M2019 Results: Margin Fell

- As of September 2019, PGAS booked revenue of USD 2.89 billion, down -2.7% yoy from USD 2.89 billion in 9M2018. Gross profit reached USD 887 million -8.7% yoy compared to 9M2018's USD 972 million. As a result the gross profit margin decreased to 31.5% from 33% in 9M2018.
- The decrease in revenue came from a decrease in transportation volume and lower upstream lifting volume as two producing oil and gas blocks expired in 3Q2018 (South East Sumatera and Sanga Sanga blocks)
- EBITDA decreased by 20% yoy to USD 725 million, while the EBITDA margin was steady at 26%.
- Net Income declined by 47% yoy to USD 129 million, from USD 244 million in 9M2018. The net profit margin fell to 4.6% from 8.4% in 9M2018.
- Lower net income was the result of higher interest expense, impairment charges on upstream assets, and lower profits from joint ventures.
- We are expecting a better margin next year as PGAS plans to increase the price of gas in November 2019 for Industrial customers.

Volume lower-than-expected

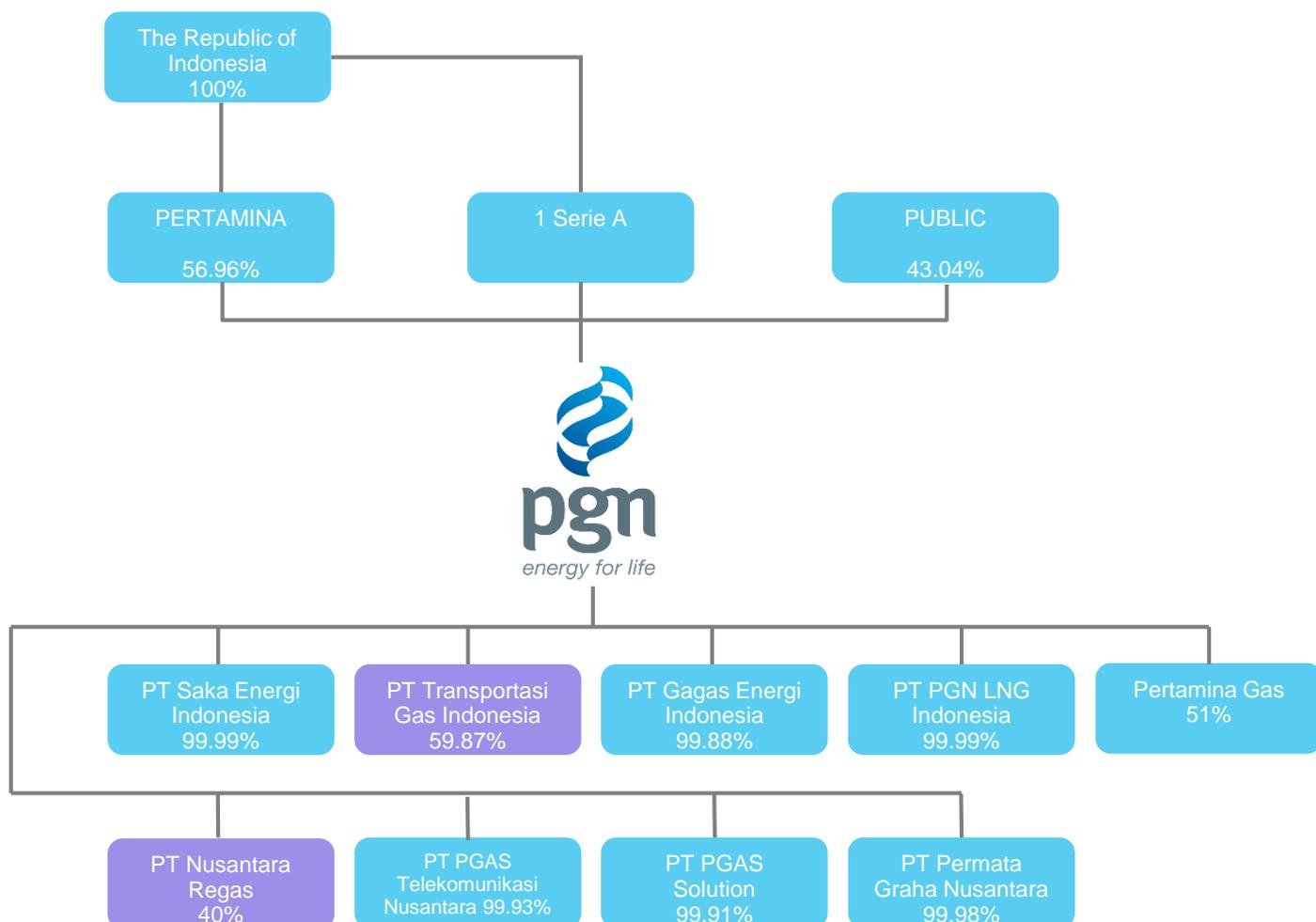
- PGAS's consolidated distribution volume was stable at 971 BBTUD in 9M2019, this matches the 2019 distribution volume target which is a range of 970-990 BBTUD.
- Gas transportation volume in 9M2019 was 2,036 MMSCFD down from 9M2018's 2,094 MMSCFD and 2% below the 2019 target range of 2,070 – 2,100 MMSCFD.
- In upstream lifting, oil and gas lifting decreased by -27% to 40,552 BOETD, crude oil decreased by 35% to 1.5 MMBBL, gas decreased by -29% to 23,621 BBTU, LNG and LPG decreased by -16% to 13,457 BBTU and 21,095 MT respectively. Lower upstream lifting was due to two producing blocks expiring in 3Q2018.

Valuation: HOLD with TP 2,700

- A DCF valuation with WACC at 8.94%, gives a upgraded target price of IDR 2,700 or 11% upside which is a 18.8x PE valuation within one year. HOLD

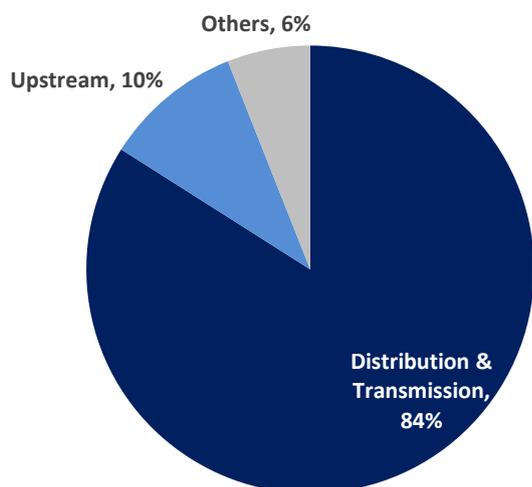
Financial Highlights	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Revenue (USD Mn)	3,253	3,069	2,935	3,571	3,870	3,867	4,085
Gross Profit (USD Mn)	1,285	963	887	1,182	1,309	1,276	1,348
GPM (%)	40%	31%	30%	33%	34%	33%	33%
Net Profit (USD Mn)	711	401	304	196	305	244	257
NPM (%)	22%	13%	10%	6%	8%	6%	6%
EPS (USD)	0.03	0.02	0.01	0.01	0.01	0.01	0.01
EBITDA (USD Mn)	1,129	701	661	764	996	885	915
EBITDA Margin (%)	35%	23%	23%	21%	26%	23%	22%
Tot debt/ equity (x)	1.0	1.1	1.2	1.0	1.8	1.2	1.1

Chart: Structure of PGAS and Subsidiaries



Source: Company

Chart: PGAS's Revenue Contribution in 9M2019



Source: Company

Table: Income Statement in USD. Million YoY

Income Statement in USD Mn.	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Revenues	3,253.4	3,068.8	2,934.7	2,969.5	3,870.3	3,866.7	4,085.0
Cost of Revenues	(1,967.9)	(2,105.7)	(2,047.8)	(2,172.4)	(2,560.8)	(2,590.7)	(2,736.9)
Gross Profit	1,285.5	963.1	886.9	797.1	1,309.5	1,276.0	1,348.0
Operating Income (Expense)	(426.5)	(405.6)	(442.7)	(420.2)	(664.2)	(657.3)	(694.4)
Operating Profit	859.0	557.5	444.2	376.9	645.3	618.7	653.6
Others Income (Expense)	70.8	(119.9)	(59.3)	(101.5)	(60.4)	(154.7)	(163.4)
PBT	929.8	437.6	385.0	275.4	584.9	464.0	490.2
Tax	(218.8)	(34.6)	(76.4)	(127.8)	(220.3)	(162.4)	(171.6)
Non-controlling interest	0.2	(1.6)	(4.2)	(4.6)	(59.6)	(58.0)	(61.3)
Net Profit	711.2	401.4	304.4	143.0	305.0	243.6	257.4
EPS (USD)	0.029	0.017	0.013	0.006	0.013	0.010	0.011
EBITDA	1,129.1	701.3	661.2	621.4	996.5	825.4	850.8

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	244	257
Depreciation	186	126	145	144	199	258	294	296
Change in WC		(359)	15	(86)	(248)	722	(389)	(109)
Cash From Operating Activities	1,046	478	561	363	147	1,285	149	444
Capex	(844)	(1,498)	(962)	(81)	(1,437)	224	(285)	(606)
Cash From Investing Activities	(844)	(1,498)	(962)	(81)	(1,437)	224	(285)	(606)
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	(1)	38
Equity	(488)	(563)	(254)	(157)	944	(1,414)	813	22
Cash From Financing Activities	(819)	832	406	(113)	1,126	(1,311)	752	26
Net Changes in Cash		(188)	4	169	(164)	197	616	(136)
Beginning Balance	1,567	1,319	1,131	1,136	1,304	1,140	1,338	1,954
Ending Balance	1,567	1,131	1,135	1,304	1,140	1,338	1,954	1,818

Source: Company & Binaartha

Table: Statement of Financial Position in USD. Million YoY

Statement of Financial Position (In USD Mn)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	1,131	1,136	1,304	1,056	1,338	1,954	1,818
Trade Accounts Receivable	378	387	555	529	746	664	701
Inventory	63	43	65	61	79	77	82
Others Current Assets	164	156	200	162	311	309	327
Total Current Assets	1,735	1,723	2,125	1,808	2,474	3,004	2,927
NONCURRENT ASSETS							
Fixed Assets	1,771	1,871	1,829	1,706	2,861	2,855	3,113
Oil and Gas Properties	1,417	1,636	1,709	1,595	1,411	1,410	1,450
Trade Receivables	62	517	451	437	287	287	286
Other Noncurrent Assets	705	748	721	747	906	905	919
Total Noncurrent Assets	3,955	4,772	4,709	4,485	5,466	5,457	5,768
TOTAL ASSETS	5,689	6,495	6,834	6,293	7,939	8,461	8,695
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	48	122	271	23	23	174	25
Trade Payables	253	202	219	190	449	448	474
Accruals	281	270	231	192	255	253	281
Others Current Liabilities	88	74	94	62	877	256	302
Total Current Liabilities	669	667	815	467	1,605	1,130	1,081
NONCURRENT LIABILITIES							
Long-term bank	473	1,253	1,296	414	497	436	402
Bonds Payables	1,332	1,334	1,335	1,955	1,959	1,959	1,959
Others Noncurrent Liabilities	340	218	217	270	678	677	715
Total Noncurrent Liabilities	2,145	2,805	2,849	2,640	3,133	3,072	3,077
TOTAL LIABILITIES	2,814	3,472	3,664	3,106	4,737	4,203	4,158
Non-controlling interest	0	2	7	19	627	627	662
EQUITY	2,875	3,020	3,163	3,168	2,575	3,631	3,875
TOTAL LIABILITIES & EQUITY	5,690	6,495	6,834	6,293	7,939	8,461	8,695

Source: Company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2014A	2015A	2016A	2017A	2018A	2019F	2020F
Sales	8%	-6%	-4%	22%	8%	0%	6%
OP	-8%	-35%	-20%	16%	25%	-4%	6%
EBITDA	-16%	-38%	-6%	16%	30%	-11%	3%
NP	-17%	-44%	-24%	-35%	55%	-20%	6%
EPS	-17%	-44%	-24%	-35%	55%	-20%	6%

Profitability							
Gross Margin (%)	40%	31%	30%	33%	34%	33%	33%
Operating Margin(%)	26%	18%	15%	14%	17%	16%	16%
EBITDA margin(%)	35%	23%	23%	21%	26%	23%	22%
NET Profit margin(%)	22%	13%	10%	6%	8%	6%	6%
ROA(%)	12%	6%	4%	2%	4%	3%	3%
ROE(%)	25%	13%	10%	5%	12%	7%	7%

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

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

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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