

### PT Perusahaan Gas Negara Tbk

Infrastructure, Energy  
3 December 2020

Price IDR. 1,470  
Target IDR. 2,050  
JKSE Index 5,813.987



**Stock code**  
Bloomberg code PGAS IJ  
Market cap (in Bn) 19,030  
52-week high 2,260  
52-week low 605  
6-m avg.dail.val (IDR) 1,151  
Free Float (%) 43.03%

**Major Share Holders (%)**  
PERTAMINA 57.00%  
Public 43.00%

**USD/IDR-YE**  
2019 13,887  
2020F (6m-avg) 14,185

Analyst:  
Eka Rahmawati Rahman

#### Investment Considerations

## BUY

#### 3Q2020 Demand Recovery

- 3Q2020 demand showed an improvement with industrial retail consumption from distribution increasing +15.4% QoQ to 486 BBTUD as consumption from PGAS's customers recovered. But 9M2020 distribution volume has still decreased -13% to 812 BBTUD impacted by weaker gas consumption due to the covid-19 outbreak in 2Q2020. In October, the distribution volume recovery continues with slight growth of +2% MoM.
- The higher distribution volume resulted in higher 3Q2020 distribution revenue of US\$ 560 million, up +14% QoQ but still down -32% YoY.
- Gas transportation volume in 9M2020 decreased -7% YoY to 1,276 MMSCFD. In October transmission also slightly decreased -0.72% to 1,227 MMSCFD. The transmission revenue saw a -10% YoY decrease to US\$ 162 million and both 2Q2020 and 3Q2020 transmission is still below 1Q2020 levels.
- Oil transportation is flat, with a downward trend in regasification and LPG processing due to weakening demand.
- PGAS's ASP and APP decreased to US\$ 7.85 and US\$ 5.59 respectively from the impact of the lower gas selling price policy starting in April 2020.
- After the demand recovery in 3Q2020, we expect conditions will continue to improve as the PSBB transition continues.

#### Recovery in 3Q2020

- PGAS recorded a net profit of US\$ 46.7 million in 3Q2020, after a loss in 2Q2020 of US\$ 41.2 million. The net profit margin was higher compared to previous quarters at 6.8%. For 9M2020, PGAS net profit still decreased -59% YoY to US\$ 53 million.
- PGAS's revenue in 3Q2020 increased +15% QoQ to US\$ 682.1 million, and for 9M2020 decreased -23% YoY to US\$ 2.15 billion because of the lower revenue in 2Q2020.
- Cost of revenue decreased -36% YoY in 3Q2020, but gross profit still decreased -27% YoY (+29% QoQ) to US\$ 225.7 million. The gross profit margin in 3Q2020 improved to 33.1% from 29.5% in 2Q2020.
- Operating income declined -23.4% YoY to US\$ 193 mn. The operating margin improvement to 18% in 3Q2020 from 3.5% in 2Q2020.
- We expect PGAS profit will reach US\$ 73 million in 2020F as a result of the weaker performance in 2Q2020 due to the covid-19 outbreak.

#### Valuation: Upgrade to BUY, with TP 2,050

- Our DCF valuation with WACC at 8.56%, gives a target price of IDR 2,050 or 40% upside which is a 33x PE valuation within one year. We upgrade our recommendation from hold to Buy.

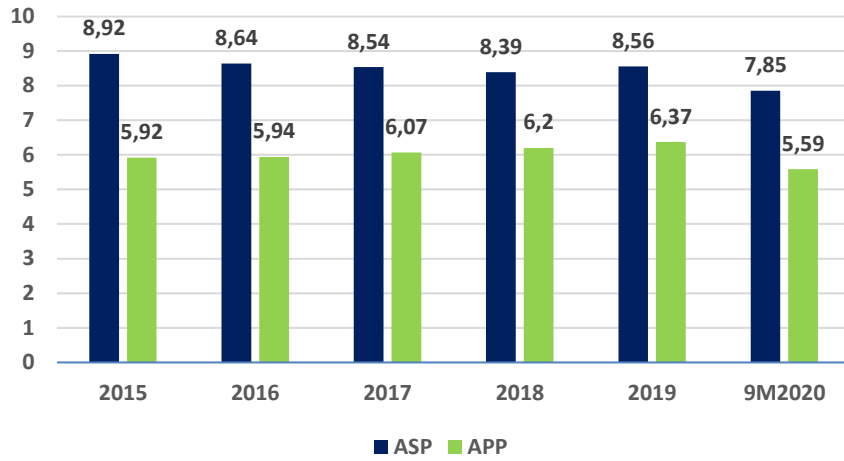
Financial Highligths	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Revenue (USD Mn)	3.069	2.935	3.571	3.870	3.849	2.854	3.413
Gross Profit (USD Mn)	963	887	1.182	1.309	1.227	913	1.126
GPM (%)	31%	30%	33%	34%	32%	32%	33%
Net Profit (USD Mn)	401	304	196	305	68	73	106
NPM (%)	13%	10%	6%	8%	2%	3%	3%
EPS (USD)	0,02	0,01	0,01	0,01	0,003	0,003	0,004
EBITDA (USD Mn)	701	661	764	996	668	617	693
EBITDA Margin (%)	23%	23%	21%	26%	17%	22%	20%
Tot debt/ equity (x)	1,1	1,2	1,0	1,8	1,6	1,5	1,7
Current Ratio (X)	2,6	2,6	2,7	1,5	2,0	2,1	1,9

Table: Revenue Breakdown by Segment in US\$ Mn

Business Segment	9M2019	9M2020	(%)
Distribution	2.182	1.746	-20%
Transmission	181	162	-10%
E&P	292	144	-51%
Oil Transportation	15	13	-13%
Gas Processing	81	62	-23%
Fiber Optic	12	13	8%
Finance Lease	16	0	-100%
Others	32	11	-66%

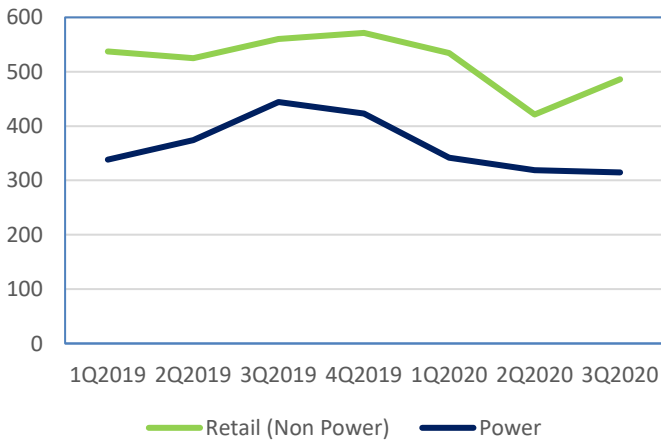
Source: Company

Chart: PGAS's Pricing YoY (US\$/MMBTU)



Source: Company

Chart: Trend of Industrial Consumption (BBTUD)



Source: Company

Table: PGAS's Number of Customers

Number of Customers	2019	9M2020
Industries & Commercials	2.445	2.495
Small Businesses	1.566	1.659
Residentials	393.453	489.623

Source: Company

Table: Income Statement in USD. Million YoY

Income Statement in USD Mn.	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Revenues	3.068,8	2.934,7	2.969,5	3.870,3	3.848,7	2.854,0	3.412,9
Cost of Revenues	(2.105,7)	(2.047,8)	(2.172,4)	(2.560,8)	(2.621,3)	(1.940,7)	(2.286,7)
<b>Gross Profit</b>	<b>963,1</b>	<b>886,9</b>	<b>797,1</b>	<b>1.309,5</b>	<b>1.227,3</b>	<b>913,3</b>	<b>1.126,3</b>
Operating Income (Expense)	(405,6)	(442,7)	(420,2)	(664,2)	(681,0)	(493,7)	(590,4)
<b>Operating Profit</b>	<b>557,5</b>	<b>444,2</b>	<b>376,9</b>	<b>645,3</b>	<b>546,3</b>	<b>419,5</b>	<b>535,8</b>
Others Income (Expense)	(119,9)	(59,3)	(101,5)	(60,4)	(266,5)	(214,1)	(256,0)
<b>PBT</b>	<b>437,6</b>	<b>385,0</b>	<b>275,4</b>	<b>584,9</b>	<b>279,9</b>	<b>205,5</b>	<b>279,9</b>
Tax	(34,6)	(76,4)	(127,8)	(220,3)	(166,9)	(92,5)	(125,9)
Non-controlling interest	(1,6)	(4,2)	(4,6)	(59,6)	(45,4)	(40,0)	(47,8)
<b>Net Profit</b>	<b>401,4</b>	<b>304,4</b>	<b>143,0</b>	<b>305,0</b>	<b>67,5</b>	<b>73,1</b>	<b>106,1</b>
<b>EPS (USD)</b>	<b>0,017</b>	<b>0,013</b>	<b>0,006</b>	<b>0,013</b>	<b>0,003</b>	<b>0,003</b>	<b>0,004</b>
<b>EBITDA</b>	<b>701,3</b>	<b>661,2</b>	<b>621,4</b>	<b>996,5</b>	<b>676,8</b>	<b>552,7</b>	<b>692,7</b>

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	73	106
Depreciation	145	144	199	258	260	282	284
Change in WC	15	-86	-248	722	-496	78	250
<b>Cash From Operating Activities</b>	<b>561</b>	<b>363</b>	<b>147</b>	<b>1.285</b>	<b>-168</b>	<b>433</b>	<b>640</b>
Capex	-962	-81	-1.437	224	41	-625	-645
<b>Cash From Investing Activities</b>	<b>-962</b>	<b>-81</b>	<b>-1.437</b>	<b>224</b>	<b>41</b>	<b>-625</b>	<b>-645</b>
Long-term Bank Loans	780	43	-883	83	-139	-5	160
Bonds Payables	2	2	620	3	3	-2	0
Others Noncurrent Liabilities	-122	-1	445	16	20	159	168
Equity	-254	-157	944	-1.414	-35	35	4
<b>Cash From Financing Activities</b>	<b>406</b>	<b>-113</b>	<b>1.126</b>	<b>-1.311</b>	<b>-152</b>	<b>187</b>	<b>332</b>
<b>Net Changes in Cash</b>	<b>4</b>	<b>169</b>	<b>-164</b>	<b>197</b>	<b>-280</b>	<b>-5</b>	<b>326</b>
<b>Beginning Balance</b>	<b>1.131</b>	<b>1.136</b>	<b>1.304</b>	<b>1.140</b>	<b>1.338</b>	<b>1.058</b>	<b>1.053</b>
<b>Ending Balance</b>	<b>1.135</b>	<b>1.304</b>	<b>1.140</b>	<b>1.338</b>	<b>1.058</b>	<b>1.053</b>	<b>1.379</b>

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
<b>ASSETS</b>							
<b>CURRENT ASSETS</b>							
Cash and Cash Equivalents	1.136	1.304	1.056	1.338	1.058	1.053	1.379
Trade Accounts Receivable	387	555	529	746	645	571	580
Inventory	43	65	61	79	71	86	68
Others Current Assets	156	200	162	311	435	200	205
<b>Total Current Assets</b>	<b>1.723</b>	<b>2.125</b>	<b>1.808</b>	<b>2.474</b>	<b>2.209</b>	<b>1.909</b>	<b>2.233</b>
<b>NONCURRENT ASSETS</b>							
Fixed Assets	1.871	1.829	1.706	2.861	2.748	3.196	3.480
Oil and Gas Properties	1.636	1.709	1.595	1.411	1.396	1.284	1.229
Trade Receivables	517	451	437	287	162	171	205
Other Noncurrent Assets	748	721	747	906	859	856	956
<b>Total Noncurrent Assets</b>	<b>4.772</b>	<b>4.709</b>	<b>4.485</b>	<b>5.466</b>	<b>5.165</b>	<b>5.508</b>	<b>5.869</b>
<b>TOTAL ASSETS</b>	<b>6.495</b>	<b>6.834</b>	<b>6.293</b>	<b>7.939</b>	<b>7.374</b>	<b>7.417</b>	<b>8.102</b>
<b>LIABILITIES AND EQUITY</b>							
<b>LIABILITIES</b>							
<b>CURRENT LIABILITIES</b>							
Short-term Bank Loans	122	271	23	23	186	22	164
Trade Payables	202	219	190	449	441	285	341
Accruals	270	231	192	255	317	200	171
Others Current Liabilities	74	94	62	877	179	400	478
<b>Total Current Liabilities</b>	<b>667</b>	<b>815</b>	<b>467</b>	<b>1.605</b>	<b>1.123</b>	<b>907</b>	<b>1.154</b>
<b>NONCURRENT LIABILITIES</b>							
Long-term bank	1.253	1.296	414	497	357	352	512
Bonds Payables	1.334	1.335	1.955	1.959	1.961	1.959	1.959
Others Noncurrent Liabilities	218	217	270	678	698	856	1.024
<b>Total Noncurrent Liabilities</b>	<b>2.805</b>	<b>2.849</b>	<b>2.640</b>	<b>3.133</b>	<b>3.016</b>	<b>3.168</b>	<b>3.495</b>
<b>TOTAL LIABILITIES</b>	<b>3.472</b>	<b>3.664</b>	<b>3.106</b>	<b>4.737</b>	<b>4.139</b>	<b>4.075</b>	<b>4.649</b>
Non-controlling interest	2	7	19	627	673	714	751
<b>EQUITY</b>	<b>3.020</b>	<b>3.163</b>	<b>3.168</b>	<b>2.575</b>	<b>2.561</b>	<b>2.629</b>	<b>2.702</b>
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>6.495</b>	<b>6.834</b>	<b>6.293</b>	<b>7.939</b>	<b>7.374</b>	<b>7.417</b>	<b>8.102</b>

Source: Company &amp; Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2015A	2016A	2017A	2018A	2019A	2020F	2021F
Sales	-6%	-4%	22%	8%	-1%	-26%	20%
OP	-35%	-20%	16%	25%	-15%	-23%	28%
EBITDA	-38%	-6%	16%	30%	-33%	-8%	12%
NP	-44%	-24%	-35%	55%	-78%	8%	45%
EPS	-44%	-24%	-35%	55%	-78%	8%	45%

Profitability							
Gross Margin (%)	31%	30%	33%	34%	32%	32%	33%
Operating Margin(%)	18%	15%	14%	17%	14%	15%	16%
EBITDA margin(%)	23%	23%	21%	26%	17%	22%	20%
NET Profit margin(%)	13%	10%	6%	8%	2%	3%	3%
ROA(%)	6%	4%	2%	4%	1%	1%	1%
ROE(%)	13%	10%	5%	12%	3%	3%	4%

Stability							
Tot debt/ equity (x)	1,1	1,2	1,0	1,8	1,6	1,5	1,7
Current Ratio (X)	2,6	2,6	2,7	1,5	2,0	2,1	1,9

Per Share data (USD)							
EPS	0,02	0,01	0,01	0,01	0,00	0,00	0,00
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**  
**(62 21) 520 6678 ext. 611**

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