

PT Perusahaan Gas Negara Tbk

BUY

Infrastructure, Energy
6 October 2021

Price IDR. 1,480
Target IDR. 1,960
JKSE Index 6,288.049



Stock code
Bloomberg code PGAS IJ
Market cap (in Bn) 35,959.3
52-week high 1,895
52-week low 920
6-m avg.dail.val (IDR) 1,108
Free Float (%) 43.00%

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

USD/IDR-YE
2020 14,175
2021F (6m-avg) 14,285

Analyst:
Eka Rahmawati Rahman

Investment Considerations

Expecting higher volume

- In 2Q2021, PGAS revenue increased +23% YoY to US\$ 731.4 million, driven primarily by a higher contribution from gas distribution which increased +15.7% YoY to US\$ 569.5 million and higher net oil and gas sales.
- For 1H2021 revenue was slightly lower -0.30% YoY at US\$ 1.46 billion.
- Commercial sales increased +21.3% MoM in June to 916 BBTUD, as domestic demand recovered further in 2Q2021 and the number of costumers increased.
- The trend of industrial consumption has been on an upward trend starting in the 3Q2020 and we are expecting more growth in the coming quarters.

Unexpected Income

- PGAS booked net profit of US\$ 135 million in 2Q2021 after a loss in 2Q2020 of US\$ 41.2 million. Higher net profit was driven by higher profit from joint ventures of US\$ 50.5 million up 121% YoY and unexpected other income from a reversal of provisions for tax disputes of US\$ 48.3 million.
- For 1H2021, PGAS net profit soared 2,883% YoY to US\$ 197 million. As of 1H2021, PGAS has won a total of four cases against the tax office with a value of US\$ 65.2 million. PGAS had allocated US\$ 278 million of provisions for 24 tax cases in 2020.

2Q2021 Margin Increased

- Because of a higher net profit in 2Q2021, the net profit margin jumped to 18.4% from negative in 2Q2020 and 8.40% in 1Q2021.
- PGAS recorded higher cost of revenue +15% YoY to US\$ 482.6 million, which resulted in a higher gross profit by 34% to US\$ 201 million and a higher GPM of 34% in 2Q2021 from 27.5% in 1Q2021.
- Operating expenses decreased -13% to US\$ 134 million, so operating income increased +453% YoY to US\$ 115 million. The operating profit margin also increased from 3.5% to 15.7%.
- We are expecting a positive net profit in 2021F of US\$ 375.4 million after a loss in 2020 as we are expecting more reversals of provisions for tax disputes in 2021.

Valuation: BUY, with TP 1,960

- We maintain our recommendation to buy as we expect the upward trend to continue and as we are expecting a positive net profit in 2021F.
- Our DCF valuation with WACC at 14.4%, gives a target price of IDR 1,960 or 31% upside which is a 9x PE valuation within one year.

Financial Highligths	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Revenue (USD Mn)	2.935	3.571	3.870	3.849	2.886	3.046	3.155
Gross Profit (USD Mn)	887	1.182	1.309	1.227	855	914	947
GPM (%)	30%	33%	34%	32%	30%	30%	30%
Net Profit (USD Mn)	304	196	305	68	-264	375	389
NPM (%)	10%	6%	8%	2%	-9%	12%	12%
EPS (USD)	0,01	0,01	0,01	0,003	-0,011	0,015	0,016
EBITDA (USD Mn)	661	764	996	668	215	1.036	1.146
EBITDA Margin (%)	23%	21%	26%	17%	7%	34%	36%
Tot debt/ equity (x)	1,2	1,0	1,8	1,6	2,0	2,4	2,1
Current Ratio (X)	2,6	2,7	1,5	2,0	1,7	1,5	1,7

Table: Income Statement in USD. Million YoY

Income Statement in USD Mn.	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Revenues	2.934,7	2.969,5	3.870,3	3.848,7	2.885,5	3.045,9	3.155,4
Cost of Revenues	(2.047,8)	(2.172,4)	(2.560,8)	(2.621,3)	(2.031,1)	(2.132,1)	(2.208,8)
Gross Profit	886,9	797,1	1.309,5	1.227,3	854,4	913,8	946,6
Operating Income (Expense)	(442,7)	(420,2)	(664,2)	(681,0)	(550,7)	(517,8)	(536,4)
Operating Profit	444,2	376,9	645,3	546,3	303,7	396,0	410,2
Others Income (Expense)	(59,3)	(101,5)	(60,4)	(266,5)	(479,1)	106,6	110,4
PBT	385,0	275,4	584,9	279,9	(175,3)	502,6	520,6
Tax	(76,4)	(127,8)	(220,3)	(166,9)	(40,4)	(75,4)	(78,1)
Non-controlling interest	(4,2)	(4,6)	(59,6)	(45,4)	(49,0)	(51,8)	(53,6)
Net Profit	304,4	143,0	305,0	67,5	(264,7)	375,4	388,9
EPS (USD)	0,013	0,006	0,013	0,003	(0,011)	0,015	0,016
EBITDA	661,2	621,4	996,5	676,8	218,8	1.036,3	1.145,8

Source: Company & Binaartha

Table: Cash Flow in USD. Million YoY

Cash Flow (In USD Mn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Net Income	304	196	305	68	-264	375	389
Depreciation	144	199	258	260	261	223	241
Change in WC	-86	-248	722	-496	387	73	16
Cash From Operating Activities	363	147	1.285	-168	383	671	646
Capex	-81	-1.437	224	41	-624	-283	-515
Cash From Investing Activities	-81	-1.437	224	41	-624	-283	-515
Long-term Bank Loans	43	-883	83	-139	-3	133	18
Bonds Payables	2	620	3	3	3	-5	52
Others Noncurrent Liabilities	-1	445	16	20	379	-11	38
Equity	-157	944	-1.414	-35	-14	-601	14
Cash From Financing Activities	-113	1.126	-1.311	-152	365	-484	121
Net Changes in Cash	169	-164	197	-280	125	-96	252
Beginning Balance	1.136	1.304	1.140	1.338	1.058	1.182	1.086
Ending Balance	1.304	1.140	1.338	1.058	1.182	1.086	1.338

Source: Company & Binaartha

Table: Statement of Financial Position in USD. Million YoY

Statement of Financial Position (In USD Mn)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
ASSETS							
CURRENT ASSETS							
Cash and Cash Equivalents	1.304	1.056	1.338	1.058	1.182	1.086	1.338
Trade Accounts Receivable	555	529	746	645	537	548	568
Inventory	65	61	79	71	69	61	63
Others Current Assets	200	162	311	435	217	183	189
Total Current Assets	2.125	1.808	2.474	2.209	2.006	1.878	2.158
NONCURRENT ASSETS							
Fixed Assets	1.829	1.706	2.861	2.748	2.698	2.920	3.162
Oil and Gas Properties	1.709	1.595	1.411	1.396	1.276	1.279	1.325
Trade Receivables	451	437	287	162	163	171	177
Other Noncurrent Assets	721	747	906	859	1.392	1.218	1.199
Total Noncurrent Assets	4.709	4.485	5.466	5.165	5.528	5.589	5.863
TOTAL ASSETS	6.834	6.293	7.939	7.374	7.534	7.467	8.021
LIABILITIES AND EQUITY							
LIABILITIES							
CURRENT LIABILITIES							
Short-term Bank Loans	271	23	23	186	30	32	33
Trade Payables	219	190	449	441	215	227	235
Accruals	231	192	255	317	570	579	600
Others Current Liabilities	94	62	877	179	368	387	401
Total Current Liabilities	815	467	1.605	1.123	1.183	1.224	1.268
NONCURRENT LIABILITIES							
Long-term bank	1.296	414	497	357	354	487	505
Bonds Payables	1.335	1.955	1.959	1.961	1.964	1.959	2.011
Others Noncurrent Liabilities	217	270	678	698	1.077	1.066	1.104
Total Noncurrent Liabilities	2.849	2.640	3.133	3.016	3.395	3.513	3.620
TOTAL LIABILITIES	3.664	3.106	4.737	4.139	4.579	4.737	4.888
Non-controlling interest	7	19	627	673	722	761	789
EQUITY	3.163	3.168	2.575	2.561	2.234	1.969	2.344
TOTAL LIABILITIES & EQUITY	6.834	6.293	7.939	7.374	7.535	7.467	8.022

Source: Company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2016A	2017A	2018A	2019A	2020A	2021F	2022F
Sales	-4%	22%	8%	-1%	-25%	6%	4%
OP	-20%	16%	25%	-15%	-44%	30%	4%
EBITDA	-6%	16%	30%	-33%	-68%	382%	11%
NP	-24%	-35%	55%	-78%	-492%	242%	4%
EPS	-24%	-35%	55%	-78%	-492%	242%	4%

Profitability							
Gross Margin (%)	30%	33%	34%	32%	30%	30%	30%
Operating Margin(%)	15%	14%	17%	14%	11%	13%	13%
EBITDA margin(%)	23%	21%	26%	17%	7%	34%	36%
NET Profit margin(%)	10%	6%	8%	2%	-9%	12%	12%
ROA(%)	4%	2%	4%	1%	-4%	5%	5%
ROE(%)	10%	5%	12%	3%	-12%	19%	17%

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

Per Share data (USD)							
EPS	0,013	0,008	0,013	0,003	-0,011	0,015	0,016
EBITDA/share	0,03	0,03	0,04	0,03	0,01	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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