

PT Perusahaan Gas Negara Tbk

BUY

Infrastructure, Energy
7 February 2020

Price IDR. 1,520
Target IDR. 2,200
JKSE Index 5,987.146

Investment Considerations

Volume 2019FY and 2020 Target

- PGAS's consolidated distribution volume was stable at 988 BBTUD in 2019FY +2.84% YoY, and at the top of the 2019 distribution volume target of 970-990 BBTUD. In December, PGAS and Pertagas recorded declines of 8.12% to 911 and 160 BBTUD respectively because of lower gas consumption from power and industrial customers and pipeline maintenance work in Tanjung Priok power plant as well as the Christmas and New Year holidays.
- PGAS is targeting 2020 Distribution volume in the range 950-980 BBTUD or 3% YoY growth.
- Gas transportation volume in 2019FY was 2,046 MMSCFD down-2.64% from 2018FY. December volume declined 0.26% MoM to 2059 MMSCFD mainly due to lower Pertagas' volumes in November-December. PGAS is targeting 2020 transmission volume to reach in the range of 1,369 – 1,377 MMSCFD or +1% YoY growth.
- Upstream lifting decreased by -27.3% to 10.41 MMBOE, but PGAS is targeting +6% YoY growth for this segment to the range of 10.5-11.0 MMBOE for 2020.
- PGAS is also targeting the contribution from industrial consumption to increase to 62% from 58%, while power consumption will decrease to 37% from 42% and, city gas will remain steady at 1% of sales volume.

April Price decrease

- PGAS plans to decrease their gas price for industry customers in April 2020 following a Government study on decreasing upstream gas prices.
- Currently, PGAS and the Government represented by the Ministry of Energy and Mineral Resources are still discussing win-win solutions.
- PGAS is still advocating for the government to cut upstream costs, for example by writing off the value added tax (PPN) and gas fees.
- PGAS will increase internal efficiency and save on capital expenditure to maintain their margin and we estimate this will result in flat margins this year.

Valuation: BUY with TP 2,200

- A DCF valuation with WACC at 9.88%, gives a target price of IDR 2,200 or 45% upside which is a 17x PE valuation within one year. BUY

Stock code

Bloomberg code PGAS IJ
Market cap (in Bn) 49,210.38
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

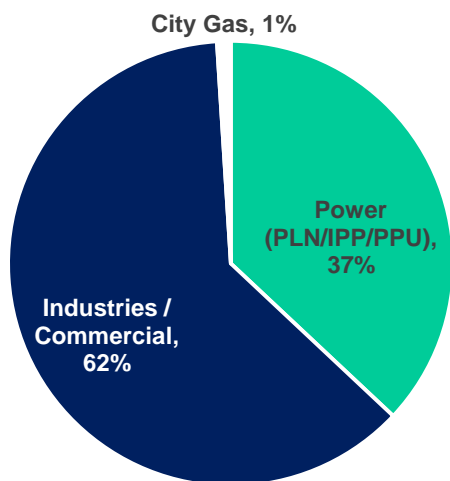
2019 14,390
2020F (6m-avg) 14,228

Analyst:
Eka Rahmawati Rahman

Financial Highlights	2015A	2016A	2017A	2018A	2019F	2020F	2021F
Revenue (USD Mn)	3,069	2,935	3,571	3,870	3,955	4,173	4,212
Gross Profit (USD Mn)	963	887	1,182	1,309	1,305	1,377	1,398
GPM (%)	31%	30%	33%	34%	33%	33%	33%
Net Profit (USD Mn)	401	304	196	305	226	263	276
NPM (%)	13%	10%	6%	8%	6%	6%	7%
EPS (USD)	0.02	0.01	0.01	0.01	0.01	0.01	0.01
EBITDA (USD Mn)	701	661	764	996	860	926	924
EBITDA Margin (%)	23%	23%	21%	26%	22%	22%	22%
Tot debt/ equity (x)	1.1	1.2	1.0	1.8	1.2	1.0	1.2

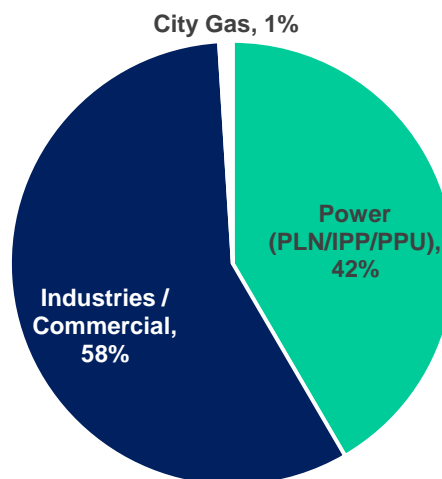
Source: Company and Binaartha

Chart: Sales Volume Target Based on Customer Segment 2020 Target



Source: Company

Chart: Sales Volume Based on Customer Segment 2019FY



Source: Company

Table: PGAS Capital Expenditure Plan 2020 - 2021

Capex Plan	\$US Million	Projects/Program	Years
Upstream	~200	Developing Pangkah, Muara Bakau and Ketapang	2020-2021
Midstream	~80	LNG Infrastructure (LNG Carrier/Vassel, LNG Trucking, Revitalised Arun Tank)	2020-2021
Downstream	~385	Java & Sumatera Distribution, Customer Attachment, Gresik - Semarang Transmission, Rokan Oil Pipeline	2020-2021
Supporting	~35		2020

Source: Company

Table: Income Statement in USD. Million YoY

Income Statement in USD Mn.	2015A	2016A	2017A	2018A	2019F	2020F	2021F
Revenues	3,068.8	2,934.7	2,969.5	3,870.3	3,955.0	4,173.0	4,211.8
Cost of Revenues	(2,105.7)	(2,047.8)	(2,172.4)	(2,560.8)	(2,649.8)	(2,795.9)	(2,813.5)
Gross Profit	963.1	886.9	797.1	1,309.5	1,305.1	1,377.1	1,398.3
Operating Income (Expense)	(405.6)	(442.7)	(420.2)	(664.2)	(672.3)	(709.4)	(716.0)
Operating Profit	557.5	444.2	376.9	645.3	632.8	667.7	682.3
Others Income (Expense)	(119.9)	(59.3)	(101.5)	(60.4)	(193.8)	(166.9)	(168.5)
PBT	437.6	385.0	275.4	584.9	439.0	500.8	513.8
Tax	(34.6)	(76.4)	(127.8)	(220.3)	(153.7)	(175.3)	(174.7)
Non-controlling interest	(1.6)	(4.2)	(4.6)	(59.6)	(59.3)	(62.6)	(63.2)
Net Profit	401.4	304.4	143.0	305.0	226.0	262.9	276.0
EPS (USD)	0.017	0.013	0.006	0.013	0.009	0.011	0.011
EBITDA	701.3	661.2	621.4	996.5	824.1	861.4	924.4

Source: Company & Binaartha

Table: Cash Flow in USD. Million YoY

Cash Flow (In USD Mn)	2015A	2016A	2017A	2018A	2019F	2020F	2021F
Net Income	401	304	196	305	226	263	276
Depreciation	145	144	199	258	294	296	281
Change in WC	15	(86)	(248)	722	(569)	(130)	114
Cash From Operating Activities	561	363	147	1,285	(49)	428	671
Capex	(962)	(81)	(1,437)	224	(407)	(541)	(684)
Cash From Investing Activities	(962)	(81)	(1,437)	224	(407)	(541)	(684)
Long-term Bank Loans	780	43	(883)	83	(61)	(34)	145
Bonds Payables	2	2	620	3	1	0	0
Others Noncurrent Liabilities	(122)	(1)	445	16	15	(155)	5
Equity	(254)	(157)	944	(1,414)	845	(2)	(758)
Cash From Financing Activities	406	(113)	1,126	(1,311)	800	(190)	(608)
Net Changes in Cash	4	169	(164)	197	343	(304)	(621)
Beginning Balance	1,131	1,136	1,304	1,140	1,338	1,681	1,377
Ending Balance	1,135	1,304	1,140	1,338	1,681	1,377	756

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	2021F
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents	1,131	1,136	1,304	1,056	1,338	1,681	1,377	756
Trade Accounts Receivable	378	387	555	529	746	739	729	776
Inventory	63	43	65	61	79	79	83	88
Others Current Assets	164	156	200	162	311	395	376	284
Total Current Assets	1,735	1,723	2,125	1,808	2,474	2,894	2,565	1,905
NONCURRENT ASSETS								
Fixed Assets	1,771	1,871	1,829	1,706	2,861	2,855	3,113	3,394
Oil and Gas Properties	1,417	1,636	1,709	1,595	1,411	1,442	1,481	1,522
Trade Receivables	62	517	451	437	287	293	292	295
Other Noncurrent Assets	705	748	721	747	906	989	939	1,018
Total Noncurrent Assets	3,955	4,772	4,709	4,485	5,466	5,579	5,825	6,228
TOTAL ASSETS	5,689	6,495	6,834	6,293	7,939	8,473	8,390	8,133
LIABILITIES AND EQUITY								
LIABILITIES								
CURRENT LIABILITIES								
Short-term Bank Loans	48	122	271	23	23	160	25	25
Trade Payables	253	202	219	190	449	315	349	352
Accruals	281	270	231	192	255	258	287	279
Others Current Liabilities	88	74	94	62	877	380	297	376
Total Current Liabilities	669	667	815	467	1,605	1,113	957	1,032
NONCURRENT LIABILITIES								
Long-term bank	473	1,253	1,296	414	497	436	402	548
Bonds Payables	1,332	1,334	1,335	1,955	1,959	1,959	1,959	1,959
Others Noncurrent Liabilities	340	218	217	270	678	693	538	543
Total Noncurrent Liabilities	2,145	2,805	2,849	2,640	3,133	3,088	2,899	3,049
TOTAL LIABILITIES	2,814	3,472	3,664	3,106	4,737	4,201	3,856	4,082
Non-controlling interest	0	2	7	19	627	641	676	683
EQUITY	2,875	3,020	3,163	3,168	2,575	3,631	3,857	3,369
TOTAL LIABILITIES & EQUITY	5,690	6,495	6,834	6,293	7,939	8,473	8,390	8,133

Source: Company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2015A	2016A	2017A	2018A	2019F	2020F	2021F
Sales	-6%	-4%	22%	8%	2%	6%	1%
OP	-35%	-20%	16%	25%	-2%	6%	2%
EBITDA	-38%	-6%	16%	30%	-14%	8%	0%
NP	-44%	-24%	-35%	55%	-26%	16%	5%
EPS	-44%	-24%	-35%	55%	-26%	16%	5%

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

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

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