

PT Perusahaan Gas Negara Tbk

Investment Considerations

BUY

Infrastructure, Energy
7 November 2023

Price IDR. 1,235

Target IDR. 1,900

JKSE Index 6,878.836



Stock code

Bloomberg code PGAS IJ
Market cap (in Bn) 29,574.6
52-week high 1,925
52-week low 1,220
Free Float (%) 43.00%

Major Share Holders (%)

PERTAMINA 57.00%
Public 43.00%

USD/IDR-YE

2022 15,592
2023F (6m-avg) 15,776

Analyst:
Eka Rahmawati Rahman

Stable revenue with a margin drop

- PGAS's 9M2023 performance remains stable with a slight increase in revenue by +1.85% to USD 2.69 billion. In 3Q2023, revenue also slightly increased by +0.6% YoY or +6.7% QoQ to USD 907 million. This stable revenue is due to lower upstream business revenue, while distribution and transmission revenue show positive growth.
- Gas distribution increased by 3% YoY or +9.9% QoQ to US\$648 million, while transmission sales saw a significant increase of +24.4% YoY to US\$67 million in 3Q2023. However, oil and gas revenue decreased by -48.2% YoY to US\$100 million but increased by +20% QoQ due to higher oil prices in 3Q2023.
- In terms of gross profit margin, trading and transmission margins decreased to 4.3% in 3Q2023, the lowest compared to previous quarters in 2023. Exploration and production margins for oil and gas dropped to 1.8% in 3Q2023, also the lowest margin due to PGAS's inability to pass on the higher cost to PGAS prices.
- We expect strong demand and higher oil prices to boost the upstream business and aim to achieve full-year revenue of US\$3.63 billion.

3Q2023 Results: Margin decline

- PGAS's net profit decreased by -22.4% YoY or -6.1% QoQ to USD 55.8 million in 3Q2023, with a lower net profit margin of 6.1%. This decline can be attributed to a higher cost of revenue by +4.8% YoY or +14% QoQ to US\$749.4 million in 3Q2023 and higher operating expenses by +6.3% YoY to USD 48.6 million.
- The results show a margin decline, with the gross profit margin at 17.4% from 20.6% last year and operating margin at 12% from 15.6% last year.
- Recent actions, such as conflict in the Middle East and extra voluntary oil output cuts until December 2023, will impact higher oil and gas prices in the market. This is expected to have a positive impact on PGAS's upstream business.
- For 2023, we have revised down our target net profit for PGAS to US\$274 million, reflecting a -16% YoY decline.

Valuation: Maintain BUY, with a target price of 1,900

- We maintain our recommendation to buy PGAS shares due to the expected price growth in the upstream business and anticipated higher downstream demand. Our discounted cash flow (DCF) valuation, using a weighted average cost of capital (WACC) of 11.9%, yields a target price of IDR 1,900 per share. This represents a 54% upside potential and corresponds to an 11x price-to-earnings (PE) valuation within one year.

Financial Highlights	2020A	2021A	2022A	2023F	2024F
Revenue (USD Mn)	2.886	3.036	3.568	3.630	3.893
Gross Profit (USD Mn)	470	587	780	708	759
GPM (%)	16%	19%	22%	20%	20%
Net Profit (USD Mn)	-264	304	326	274	294
NPM (%)	-9%	10%	9%	8%	8%
EPS (USD)	-0,011	0,013	0,013	0,011	0,012
EBITDA (USD Mn)	215	781	833	695	779
EBITDA Margin (%)	7%	26%	23%	19%	20%
PER (X)	-10,7	7,7	8,4	10,9	10,1
PBV (X)	1,3	0,9	1,0	1,0	0,9
Tot debt/ equity (X)	2,0	1,7	1,4	1,1	1,0
Current Ratio (X)	1,7	2,5	2,2	1,4	1,6

Table: Segment Revenue in USD million QoQ

	3Q2022	3Q2023	%	9M2022	9M2023	%
Trading and Transmission	714,3	768,9	7,6%	2.131,5	2.334,5	9,5%
Exploration and Production of Oil and Gas	181,0	105,8	-41,5%	489,3	324,6	-33,7%
Other Operation	90,3	127,2	40,8%	249,6	302,5	21,2%

Source: Company

Table: Operation Performances MoM

Volumes	Aug-23	Sep-23	MoM %
Distribution (BBTUD)	966,0	927,5	-4,0%
Transmission (MMSCFD)	1.484,2	1.513,4	2,0%
Upstream (MMBOE)	0,6	0,9	50,0%
Regasification (BBTUD)	143,9	155,0	7,7%
LPG Processing (Thousand Ton)	2,5	3,0	20,0%
Oil Transportation (MMBOE)	4,9	4,6	-6,1%

Source: Company

Table: Margin Segment

	3Q2022	3Q2023	9M2022	9M2023
Trading and Transmission	11,5%	4,3%	12,9%	9,4%
Exploration and Production of Oil and Gas	25,7%	1,8%	35,5%	9,9%
Other Operation	38,3%	56,9%	41,8%	44,8%

Source: Company

Table: Income Statement in USD. Million QoQ

Income Statement in USD	Mn.	1Q2023	2Q2023	3Q2023	QoQ	3Q2022	YoY	9M2022	9M2023	YoY
Revenues		933,6	849,7	907,0	6,7%	901,3	0,6%	2.641,4	2.690,3	1,8%
Cost of Revenues		(756,9)	(658,3)	(749,4)	13,8%	(715,3)	4,8%	(2.034,5)	(2.164,6)	6,4%
Gross Profit		176,7	191,4	157,6	-17,7%	186,0	-15,3%	606,9	525,7	-13,4%
Operating Income (Expense)		(37,6)	(47,0)	(48,6)	3,3%	(45,7)	6,3%	(126,8)	(133,2)	5,0%
Operating Profit		139,1	144,4	109,0	-24,5%	140,3	-22,3%	480,0	392,5	-18,2%
Others Income (Expense)		9,0	(17,4)	(13,9)	-19,9%	(16,8)	-16,8%	13,0	(22,3)	-271,5%
PBT		148,1	127,0	95,1	-25,1%	123,6	-23,1%	493,0	370,2	-24,9%
Tax		(30,2)	(45,8)	(18,0)	-60,7%	(35,7)	-49,6%	(126,8)	(94,0)	-25,9%
Non-controlling interest		(32,1)	(21,7)	(21,3)	-1,9%	(16,0)	32,9%	(55,8)	(75,1)	34,6%
Net Profit		85,9	59,4	55,8	-6,1%	71,9	-22,4%	310,3	201,0	-35,2%
EPS (USD)		0,004	0,002	0,002	-6,1%	0,003	-22,4%	0,013	0,008	-35,2%
GPM		18,9%	22,5%	17,4%		20,6%		23,0%	19,5%	
OPM		14,9%	17,0%	12,0%		15,6%		18,2%	14,6%	
NPM		9,2%	7,0%	6,1%		8,0%		11,7%	7,5%	

Source: Company

Table: Income Statement in USD. Million YoY

Income Statement in USD Mn.	2019A	2020A	2021A	2022A	2023F	2024F
Revenues	3.848,7	2.885,5	3.036,1	3.568,5	3.629,7	3.892,5
Cost of Revenues	(2.621,3)	(2.415,5)	(2.449,3)	(2.788,0)	(2.921,9)	(3.133,5)
Gross Profit	1.227,3	470,0	586,9	780,5	707,8	759,0
Operating Income (Expense)	(681,0)	(166,3)	(166,5)	(188,3)	(177,9)	(190,7)
Operating Profit	546,3	303,7	420,3	592,2	529,9	568,3
Others Income (Expense)	(266,5)	(479,1)	47,6	(49,7)	(29,0)	(31,1)
PBT	279,9	(175,3)	468,0	542,4	500,9	537,2
Tax	(166,9)	(40,4)	(103,4)	(141,4)	(125,2)	(134,3)
Non-controlling interest	(45,4)	(49,0)	(60,7)	(75,1)	(101,6)	(109,0)
Net Profit	67,5	(264,8)	303,9	326,0	274,0	293,9
EPS (USD)	0,003	(0,011)	0,013	0,013	0,011	0,012
EBITDA	676,8	218,8	781,4	833,0	694,7	615,7

Source: Company & Binaartha

Table: Cash Flow in USD. Million YoY

Cash Flow (In USD Mn)	2020A	2021A	2022A	2023F	2024F
Net Income	-264	304	326	274	294
Depreciation	261	160	158	158	163
Change in WC	387	-165	34	721	-558
Cash From Operating Activities	383	299	518	1.153	-101
Change on Non-current Assets	-624	48	179	146	-770
Cash From Investing Activities	-624	48	179	146	-770
Long-term Bank Loans	-3	50	-69	100	538
Bonds Payables	3	3	-644	-1.323	0
Others Noncurrent Liabilities	379	-103	129	-13	-77
Equity	-14	26	-169	152	7
Cash From Financing Activities	366	-25	-754	-1.084	468
Net Changes in Cash	125	322	-57	215	-403
Beginning Balance	1.058	1.182	1.504	1.448	1.663
Ending Balance	1.182	1.504	1.448	1.663	1.260

Source: Company & Binaartha

Table: Statement of Financial Position in USD. Million YoY

Statement of Financial Position (In USD Mn)	2017A	2018A	2019A	2020A	2021A	2022F	2023F	2023A
ASSETS								
CURRENT ASSETS								
Cash and Cash Equivalents	1.140	1.338	1.058	1.182	1.504	1.448	1.663	1.260
Trade Accounts Receivable	713	746	645	537	462	568	653	740
Inventory	74	79	71	69	55	60	65	70
Others Current Assets	308	311	435	217	170	137	127	143
Total Current Assets	2.236	2.474	2.209	2.006	2.191	2.212	2.509	2.212
NONCURRENT ASSETS								
Fixed Assets	2.897	2.861	2.748	2.698	2.650	2.633	2.712	2.794
Oil and Gas Properties	1.595	1.411	1.396	1.276	1.193	947	762	973
Trade Receivables	458	287	162	163	141	112	114	156
Other Noncurrent Assets	997	906	859	1.392	1.335	1.290	1.089	1.362
Total Noncurrent Assets	5.948	5.466	5.165	5.528	5.320	4.982	4.678	5.285
TOTAL ASSETS	8.183	7.939	7.374	7.534	7.511	7.195	7.187	7.497
LIABILITIES AND EQUITY								
LIABILITIES								
CURRENT LIABILITIES								
Short-term Bank Loans	23	23	186	30	19	17	16	20
Trade Payables	360	449	441	215	298	236	254	234
Accruals	289	255	317	570	376	396	544	506
Others Current Liabilities	170	877	179	368	188	344	980	584
Total Current Liabilities	842	1.605	1.123	1.183	881	993	1.795	1.343
NONCURRENT LIABILITIES								
Long-term bank	414	497	357	354	404	335	436	973
Bonds Payables	1.955	1.959	1.961	1.964	1.967	1.323	0	0
Others Noncurrent Liabilities	662	678	698	1.077	973	1.102	1.089	1.012
Total Noncurrent Liabilities	3.031	3.133	3.016	3.395	3.345	2.761	1.524	1.985
TOTAL LIABILITIES	3.873	4.737	4.139	4.579	4.226	3.753	3.319	3.329
Minority interest	570	627	673	722	760	808	907	934
EQUITY	3.741	2.575	2.561	2.234	2.526	2.635	2.961	3.235
TOTAL LIABILITIES & EQUITY	8.183	7.939	7.374	7.535	7.512	7.195	7.187	7.498

Source: Company & Binaartha

Table: Ratio Highlights YoY

Growth (% YoY)	2020A	2021A	2022A	2023F	2024F
Sales	-25%	5%	18%	2%	7%
OP	-44%	38%	41%	-11%	7%
EBITDA	-68%	264%	7%	-17%	12%
NP	-492%	215%	7%	-16%	7%
EPS	-492%	215%	7%	-16%	7%

Profitability					
Gross Margin (%)	16%	19%	22%	20%	20%
Operating Margin(%)	11%	14%	17%	15%	15%
EBITDA margin(%)	7%	26%	23%	19%	20%
NET Profit margin(%)	-9%	10%	9%	8%	8%
ROA(%)	-4%	4%	5%	4%	4%
ROE(%)	-12%	12%	12%	9%	9%

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

Per Share data					
EPS (USD)	-0,011	0,013	0,013	0,011	0,012
EPS (IDR)	-154	179	210	175	187
PER (X)	-10,7	7,7	8,4	10,9	10,1
PBV (X)	1,3	0,9	1,0	1,0	0,9
EBITDA/share	0,01	0,03	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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