

Perusahaan Gas Negara

HOLD (unchanged)

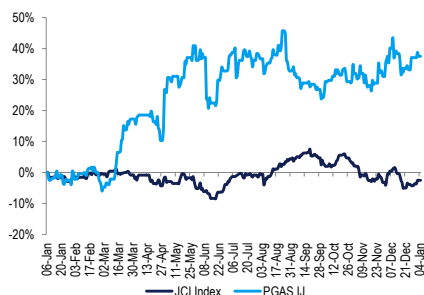
Company update | PGAS IJ | 7 January 2025

Stock Data

Target price	Rp1,500
Prior TP	Rp1,500
Current price	Rp1,715
Upside/downside	-13%
Shares outstanding (mn)	24,242
Market cap (Rp bn)	41,547
Free float	43%
Avg. 6m daily T/O (Rp bn)	56

Price Performance

	3M	6M	12M
Absolute	14.3%	6.5%	47.8%
Relative to JCI	19.9%	8.9%	51.5%
52w low/high (Rp)	1,090 – 1,715		



Major Shareholders

PT Pertamina	56.9%
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Positive tailwind on potential removal of cheap gas price (HGBT)

- PGAS share price went up by +8% on Monday (6th Jan) on the back of potential removal of cheap gas price (HGBT) policy starting FY25F.
- Minister of Energy & Mineral Resources (ESDM) mentioned that HGBT policy is currently being reviewed without any final decision yet.
- Assuming incremental gas spread of +US\$0.5/mmbtu and c.100% absorption rate, PGAS EPS could grow by additional +25% in FY25F.

Overview on cheap gas price (HGBT) policy removal

Ministry of Energy and Mineral Resources (ESDM) has yet to issue another Ministerial Decree related to cheap gas price (HGBT), which meant that eligible HGBT customers is no longer entitled to obtain HGBT (c.50-60% PGAS distribution volume) starting FY25F or at least until new decree is released – as the latest HGBT price based on Oct24 ESDM decree is only valid until end of FY24F. Currently, Minister of Energy & Mineral Resources (ESDM), Bahlil Lahadalia mentioned that HGBT policy is being reviewed, especially which industries or companies that shall be entitled for this HGBT policy. Thus, it remains uncertain whether government will end the overall HGBT policy completely or a possibility of partial implementation.

Potential impact to PGAS: higher gas distribution spread

As a result, existing customers that were entitled for HGBT price of around US\$6-7/mmbtu now would have to purchase piped-gas at a normal price (US\$9-10/mmbtu) and should they requested for additional quota above the set quota, such customers may even have to pay up to US\$16-17/mmbtu by buying LNG. If we assume c.100% absorption rate from these customers and all of PGAS' distribution volume to be sold at non-HGBT/normal price, PGAS' blended spread in FY25F could sustainably hover ~US\$2/mmbtu on average with additional upside from LNG volume that yielded addl. gas spread of another US\$0.2-0.5/mmbtu vs. non-HGBT spread. At maximum, this shall translate to additional +25% NP from our FY25F base-case (Fig. 1).

Maintain Hold rating with unchanged Rp1,500/share TP

For now, we maintain our view that HGBT policy may not be fully removed by the new government administration and hence, we maintain our Hold rating with an unchanged TP of Rp1,500/share. While we expect limited capital gain outside of the potential tailwind from HGBT removal, we think PGAS remain attractive as a defensive/dividend-play option amidst stronger dollar and weaker Rupiah environment with dividend yield of up to c.8%. However, the biggest downside risks now are potential re-imposition of HGBT policy, which underpin our decision to maintain Hold rating.

Financial Summary (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Revenue	3,569	3,646	3,617	3,496	3,521
EBITDA	739	707	719	621	589
Net profit	326	278	324	286	267
EPS growth	7%	-15%	16%	-12%	-7%
ROE	12%	10%	11%	10%	9%
PER (x)	8.0	9.6	8.3	9.4	10.0
EV/EBITDA (x)	4.5	4.2	3.9	4.4	4.5
Dividend yield	8%	9%	7%	8%	7%
IPS vs. consensus			97%	87%	83%

Source: Company, Indo Premier

Share price closing as of: 6 January 2025

Fig. 1: Potential EPS impact from removal of HGBT policy

	HGBT (pre-FY25F)	0% HGBT (FY25F onwards), 80% absorption	0% HGBT (FY25F onwards), 90% absorption	0% HGBT (FY25F onwards), 100% absorption
HGBT volume (%)	60%	0%	0%	0%
non-HGBT volume (%)	40%	100%	100%	100%
Spread (US\$/mmbtu)				
HGBT	US\$1.2-1.5/mmbtu			
Non-HGBT	~US\$2/mmbtu			
LNG**	Up to US\$2.5/mmbtu			
NP (US\$ mn)	286	314	335	356
Additional NP (%)	N/A	10%	17%	25%

Source: Company data, Indo Premier estimates

Fig. 2: Peers comparison table

Ticker	Company	Rating	Target price (Rp/share)	P/E			EV/EBITDA			Dividend yield (%)		
				24F	25F	26F	24F	25F	26F	24F	25F	26F
AKRA IJ	AKR Corporindo	Buy	1,700	9.0	7.1	6.4	6.7	5.0	4.4	11.8%	9.4%	7.8%
MEDC IJ	Medco Energi Internasional	Buy	1,700	4.7	5.0	4.7	3.6	3.2	2.9	3.6%	3.7%	4.2%
PGEO IJ	Pertamina Geothermal	Hold	1,250	13.3	12.8	11.5	7.0	6.4	5.8	5.4%	5.7%	5.9%
PGAS IJ	Perusahaan Gas Negara	Hold	1,500	8.3	9.4	10.0	3.9	4.4	4.5	7.3%	8.5%	7.5%

Source: Bloomberg, Indo Premier

Income Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Net revenue	3,569	3,646	3,617	3,496	3,521
Cost of sales	(2,788)	(2,913)	(2,820)	(2,796)	(2,852)
Gross profit	781	734	797	700	668
SG&A Expenses	(199)	(202)	(252)	(257)	(262)
Operating profit	582	532	545	443	406
Net interest	(106)	(49)	(19)	(10)	(6)
Income from associates	81	65	65	65	65
Others	(14)	(24)	(20)	0	0
Pre-tax income	543	524	570	497	465
Income tax	(141)	(147)	(160)	(140)	(131)
Minority interest	(75)	(99)	(86)	(71)	(67)
Net income	326	278	324	286	267

Balance Sheet (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	1,448	1,245	843	944	1,045
Receivable	568	448	445	430	433
Inventory	60	71	69	68	70
Other current assets	137	129	129	129	129
Total current assets	2,212	1,892	1,485	1,571	1,675
Fixed assets	303	307	307	307	307
Other non-current assets	4,680	4,400	4,376	4,347	4,314
Total non-current assets	4,982	4,707	4,683	4,654	4,621
Total assets	7,195	6,599	6,168	6,225	6,297

ST loans	0	3	0	0	0
Payable	236	245	237	235	240
Other payables	175	117	117	117	117
Current portion of LT loans	48	75	0	0	0
Other current liabilities	534	1,023	470	470	470
Total current liab.	993	1,462	825	823	828
Long term loans	2,101	916	993	993	993
Other LT liab.	659	681	681	681	681
Total non-current liabilities	2,761	1,596	1,673	1,673	1,673
Total liabilities	3,753	3,059	2,498	2,496	2,501

Equity	(124)	(124)	(124)	(124)	(124)
Retained earnings	2,821	2,870	2,999	3,059	3,126
Minority interest	745	794	794	794	794
Total SHE + minority int.	3,442	3,540	3,670	3,729	3,796
Total liabilities & equity	7,195	6,599	6,168	6,225	6,297

Source: Company, Indo Premier

Cash Flow Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Net income	430	289	324	286	267
Depr. & amortization	158	175	174	179	183
Changes in working capital	(4)	17	(2)	13	0
Others	0	0	0	0	0
Cash flow from operating	584	481	496	478	451
Capital expenditure	139	60	(150)	(150)	(150)
Others	190	73	0	0	0
Cash flow from investing	329	133	(150)	(150)	(150)
Loans	(751)	(604)	(553)	0	0
Equity	(11)	15	0	0	0
Dividends	(206)	(228)	(195)	(227)	(200)
Others	0	0	0	0	0
Cash flow from financing	(968)	(817)	(748)	(227)	(200)
Changes in cash	(56)	(203)	(402)	101	100

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	22%	20%	22%	20%	19%
Operating margin	16%	15%	15%	13%	12%
Pre-tax margin	15%	14%	16%	14%	13%
Net margin	9%	8%	9%	8%	8%
ROA	5%	4%	5%	5%	4%
ROE	12%	10%	11%	10%	9%
Acct. receivables TO (days)	6.3	8.1	8.1	8.1	8.1
Inventory TO (days)	46.8	41.0	41.0	41.0	41.0
Payable TO (days)	11.8	11.9	11.9	11.9	11.9
Debt to equity	0.8	0.6	0.4	0.3	0.3
Interest coverage ratio (x)	5.6	7.2	10.3	9.6	9.1
Net gearing	0.3	0.1	0.1	0.0	(0.0)

Source: Company, Indo Premier