

# Perusahaan Gas Negara Tbk (PGAS IJ)

## LNG: Energy of the Future

PGAS booked a net profit growth of 28.9% yoy. Tight efficiency in the expense segment was the main growth driver although revenue was recorded to fall by 16.1% yoy in Q1-2021. The strong focus on business fundamentals leads us to be optimistic that this year's performance will be positive.

### Solid Bottom Line in the First Quarter of 2021.

- PGAS recorded a revenue of USD733.2 million in the first quarter of 2021, down 16.1% yoy (vs USD873.8 million in 1Q20).
- The revenue decline from most segments depressed PGAS's net income. The largest contributor to the income is Gas Distribution segment with 81.3% (-14.0% yoy) in Q1-2021.
- PGAS also booked an efficiency in the expense segment by 14.0% yoy to USD 145.6 million (vs USD169.3 million in 1Q20), and earned a foreign exchange gain of USD8.9 million in 1Q21.
- Net profit grew 28.9% yoy to USD61.6 million (vs USD47.8 million in 1Q20).

### Focused on Building Infrastructure for the Long Term.

- The demand for LNG (Liquefied Natural Gas) segment will be promising in the next 20 years. LNG will produce cleaner combustion and more efficient for distribution. PGAS will build infrastructures to manage LNG. Demand is expected to reach 660 million per year in 2040.
- PGAS will support RDMP refinery by building Small Land-Based LNG Regasification Terminal facility in Cilacap.

### Maintain BUY Rating with Target Price at 1,770.

- We maintain the BUY rating at a target price of 1,770; considering the losses that occurred at the end of 2020 made us slightly lower our target than previous TP (-12.8%).
- PGAS is still focused on strengthening its business fundamentals by taking steps to evaluate the financing and carry out project developments for long-term income.
- Our target price reflects EV/EBITDA at 6.5x. Currently, PGAS is traded at -1SD from a 10-year average.

### Perusahaan Gas Negara Tbk | Summary (USD bn)

	2019A	2020A	2021F	2022F
Revenue	3,849	2,886	2,819	3,430
Growth	-0.6%	-25.0%	-2.3%	21.7%
Net Profit	68	(265)	73	92
Growth	-80.0%	N/A	N/A	26.6%
EPS (USD)	0.0	(0.0)	0.0	0.0
P/E	55.0x	-10.2x	40.5x	32.7x
P/BV	1.2x	1.0x	0.9x	0.9x
EV/EBITDA	6.7x	8.5x	5.0x	5.1x
ROE	2.1%	-8.6%	2.3%	2.6%
DER	1.3x	1.5x	1.4x	1.4x
Dividend Yield	0.3%	0.3%	0.3%	0.3%

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Update | Jun. 04, 2021

## BUY

Target Price (IDR)	1,770
Consensus Price (IDR)	1,547
TP to Consensus Price (%)	+14.4
vs. Last Price (%)	+50.0

### Shares Data

Last Price (IDR)	1,180
Price Date as of	Jun. 03, 2021
52 wk Range (Hi/Low)	1,895/895
Free Float (%)	43.0
Outstanding Shares (mn)	24,242
Market Cap (IDR bn)	28,969
Market Cap (USD mn)	2,025
Avg. Trd Vol - 3M (mn)	108.8
Avg. Trd Val - 3M (bn)	125.4
Foreign Ownership (%)	12.3

### Utilities

### Energy

Bloomberg	PGAS IJ
Reuters	PGAS.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-22.1%	-3.6%	-18.4%	35.6%
Rel. Ret.	-20.9%	-4.9%	-13.2%	11.2%

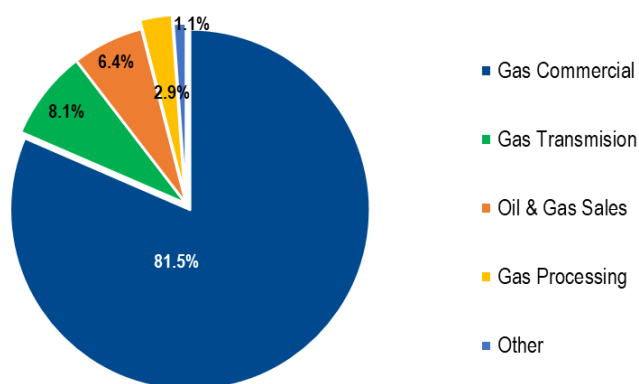
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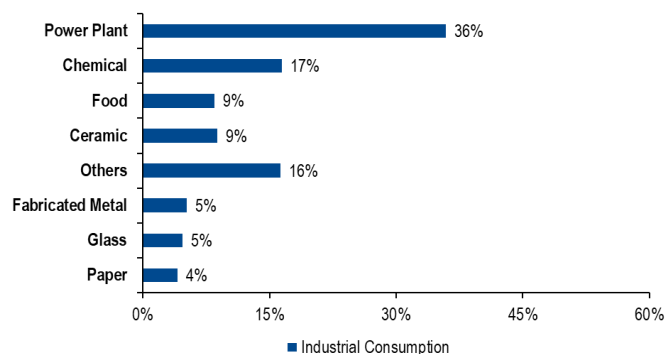
## Performance Highlights

### 3M21 Revenue Breakdown



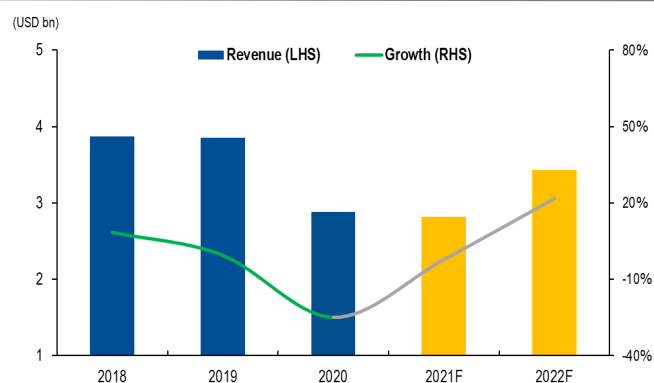
Source: Company Data, NHKSI Research

### 3M21 Industrial Consumption



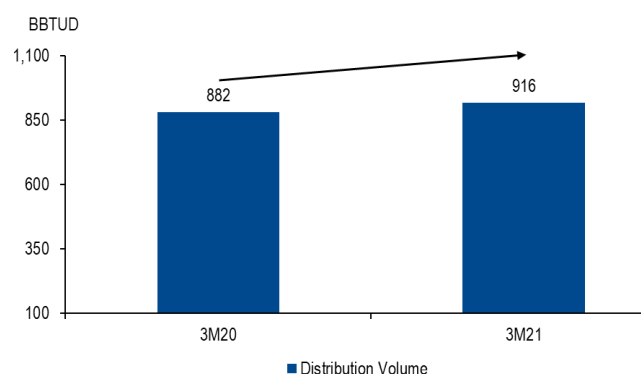
Source: Company Data, NHKSI Research

### Revenue & Growth Movement



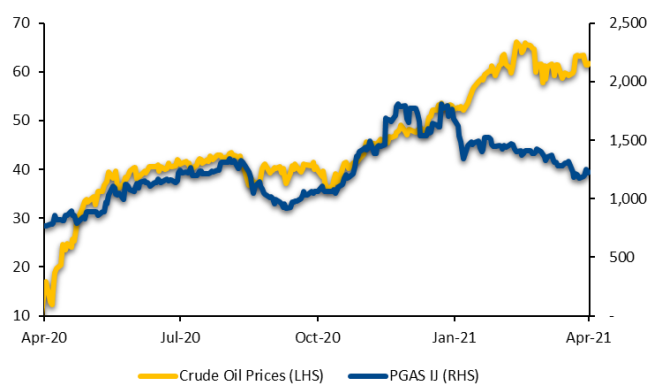
Source: Company Data, NHKSI Research

### Distribution Volume (+3.9% YoY)



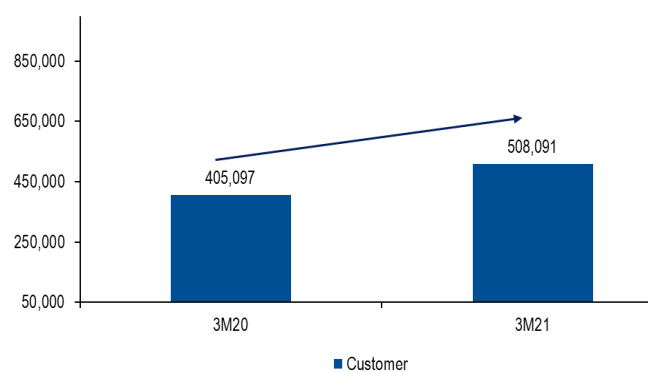
Source: Company Data, NHKSI Research

### PGAS & Crude Oil Prices Movement



Source: Bloomberg, NHKSI Research

### No of Customers (+25.4%)



Source: Bloomberg, NHKSI Research

## Company Profile



**PT Perusahaan Gas Negara Tbk (PGAS)** as Subholding Gas, integrates natural gas infrastructure in Indonesia and seeks to increase energy access in Indonesian by using both pipeline and non-pipeline infrastructure. At present, PGAS has operated in 66 districts/cities, in 17 provinces in Indonesia and continues to expand. The natural gas end user segment that receives PGN natural gas energy services range from households, transportation (SPBG), small customers, commercial, industrial and power plants. The PGAS downstream natural gas infrastructure management portfolio until 2019 includes 96% of the natural gas downstream infrastructure that has been built and is operating. As for the management of household natural gas network and small customers, follows the Government and the Sayang Ibu Program covering 49 regencies/cities throughout Indonesia with around 3,000 km long Jargas pipeline.

## Asia Peers Comparison

	Market Cap (USD mn)	Total Asset (USD mn)	Sal. Growth* (%)	NP Growth* (%)	Div. Yield (%)	ROE* (%)	EV/EBITDA (x)	P/BV (x)
<b>Indonesia</b>								
PERUSAHAAN GAS NEGARA TBK	2,024	7,534	-25.03%	N/A	N/A	-10.3%	7.6x	0.9x
<b>China</b>								
CHINA GAS HOLDINGS LTD	20,914	14,458	0.26%	5.2%	1.7%	23.2%	10.3x	3.4x
ENN ENERGY HOLDINGS LTD	0,497	13,795	2.04%	10.7%	1.7%	22.3%	11.8x	4.3x
CHINA RESOURCES GAS GROUP LTD	14,392	12,107	-1.95%	2.1%	1.9%	16.3%	9.8x	3.1x
KUNLUN ENERGY CO LTD	7,500	23,745	7.33%	9.2%	42.5%	11.7%	6.4x	0.9x
<b>Japan</b>								
TOKYO GAS CO LTD	107	378	-1.65%	-35.9%	3.3%	3.8%	6.9x	0.5x
<b>South Korea</b>								
KOREA GAS CORP	2,869	32,981	-16.61%	N/A	N/A	-2.4%	12.1x	0.4x
<b>India</b>								
GAIL INDIA LTD	9,699	9,939	-4.63%	43.9%	3.1%	19.8%	4.6x	1.5x
INDRAPRASTHA GAS LTD	5,104	1,001	12.50%	48.3%	0.5%	25.8%	16.4x	7.0x
GUJARAT GAS LTD	5,375	1,159	-2.14%	6.6%	0.2%	32.6%	18.4x	8.7x

Note: \* = Last 12 Month (LTM)

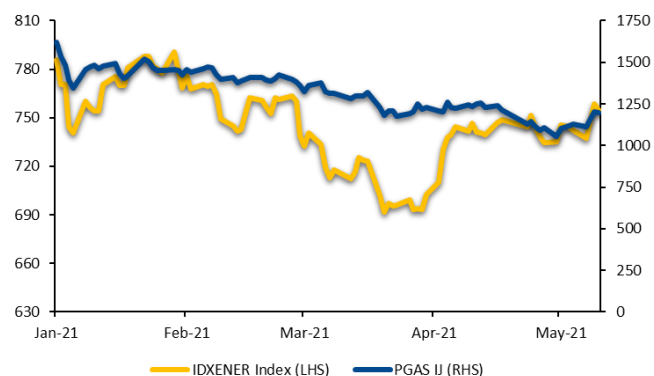
## Valuation & Other Highlight in Charts

### 10-Year Forward EV/EBITDA Band



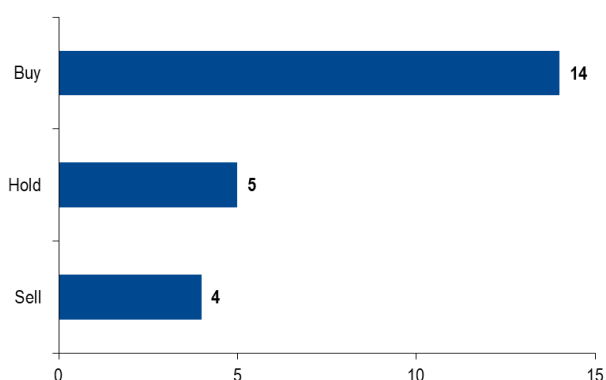
Source: Bloomberg, NHKSI Research

### PGAS & IDXENER INDEX



Source: Bloomberg, NHKSI Research

### Analyst Coverage Rating



Source: Bloomberg

### Closing and Target Price



Source: NHKSI Research

## Rating and Target Price Update

### Target Price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
01/22/2021	Buy	2,030 (12 Month)	1,735	1,726	+17.0%	+17.6%
06/04/2021	Buy	1,770 (12 Month)	1,180	1,547	+50.0%	+14.4%

Source: NHKSI Research, Bloomberg

## Summary of Financial's

INCOME STATEMENT				
(USD mn)	2019A	2020A	2021F	2022F
Revenue	3,849	2,886	2,819	3,430
Growth	-0.6%	-25.0%	-2.3%	21.7%
COGS	(2,621)	(2,031)	(1,622)	(2,060)
Gross Profit	1,227	854	1,197	1,370
Gross Margin	31.9%	29.6%	42.5%	39.9%
Operating Expenses	(709)	(595)	(592)	(755)
EBIT	518	259	605	615
EBIT Margin	13.5%	9.0%	21.5%	17.9%
Depreciation	522	423	546	518
EBITDA	1,040	682	1,151	1,134
EBITDA Margin	27.0%	23.6%	40.8%	33.1%
Interest Expenses	(210)	(171)	(180)	(189)
EBT	280	(175)	169	221
Income Tax	(167)	(40)	(47)	(62)
Minority Interest	(45)	(49)	(49)	(67)
Net Profit	68	(265)	73	92
Growth	-80.0%	N/A	N/A	26.6%
Net Profit Margin	1.8%	-9.2%	2.6%	2.7%

BALANCE SHEET				
(USD mn)	2019A	2020A	2021F	2022F
Cash	1,040	1,179	1,700	1,886
Receivables	510	473	516	687
Inventories	71	69	20	87
Total Current Assets	2,209	2,006	2,672	3,021
Net Fixed Assets	4,250	4,614	4,480	4,477
Other Non Current Asset	915	914	922	930
Total Non Current Assets	5,165	5,528	5,403	5,406
Total Assets	7,374	7,534	8,075	8,708
Payables	260	215	96	322
ST Bank Loan	221	64	164	121
Total Current Liabilities	1,123	1,183	1,149	1,409
LT Debt	2,529	2,958	3,053	3,246
Total Liabilities	4,139	4,579	4,665	5,105
Capital Stock + APIC	344	344	344	344
Retained Earnings	2,729	2,396	2,677	2,696
Shareholder' Equity	3,234	2,955	3,410	3,603

CASH FLOW STATEMENT				
(USD mn)	2019A	2020A	2021F	2022F
Operating Cash Flow	893	494	340	750
Investing Cash Flow	(1,736)	(36)	(453)	(814)
Financing Cash Flow	762	(289)	634	251
Net Changes in Cash	(81)	169	521	186

Source: Company Data, NHKSI Research

PROFITABILITY & STABILITY				
	2019A	2020A	2021F	2022F
ROE	2.1%	-8.6%	2.3%	2.6%
ROA	0.9%	-3.6%	0.9%	1.1%
Inventory Turnover	35.1x	29.1x	36.5x	38.4x
Receivables Turnover	7.3x	5.9x	5.7x	5.7x
Payables Turnover	11.1x	8.5x	10.4x	9.9x
Dividend Yield	0.3%	0.3%	0.3%	0.3%
Payout Ratio	1.8%	3.1%	-5.9%	5.9%
DER	128.0%	154.9%	136.8%	141.7%
Net Gearing	90%	110%	106%	111%
Equity Ratio	43.9%	39.2%	42.2%	41.4%
Debt Ratio	37.3%	40.1%	39.8%	38.7%
Financial Leverage	240.8%	245.2%	239.3%	240.2%
Current Ratio	2.0x	1.7x	2.3x	2.1x
Quick Ratio	1.9x	1.6x	2.3x	2.1x
Par Value (IDR)	100	100	100	100
Total Shares (mn)	24,242	24,242	24,242	24,242
Share Price (IDR)	2,170	1,655	1,770	1,770
Market Cap (IDR tn)	52.6	40.1	42.9	42.9

VALUATION INDEX				
	2019A	2020A	2021F	2022F
Price/Earnings	55.0x	-10.2x	40.5x	32.7x
Price/Book Value	1.2x	1.0x	0.9x	0.9x
PE/EPS Growth	-0.7x	N/A	N/A	1.2x
EV/EBITDA	6.7x	8.5x	5.0x	5.1x
EV (IDR bn)	6,926	5,815	5,798	5,762
Sales CAGR (3-Yr)	9.5%	-6.9%	-10.0%	-3.8%
Net Income CAGR (3-Yr)	-42.2%	-211.7%	-40.1%	10.9%
Basic EPS (IDR)	39	(162)	44	54
BVPS (IDR)	1,868	1,707	1,969	2,081
DPS (IDR)	6	5	6	6

TOP OWNERSHIP	
Top Shareholders	
	%
Pertamina	57.0
Vanguard Group	1.5
Norges Bank	1.3
Blackrock	0.9
By Geography	
	%
Indonesia	87.7
United States	5.4
Norway	2.1
Luxembourg	1.6
Others	3.3

**NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings**

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
  - Buy : Greater than +15%
  - Overweight : +5% to +15%
  - Hold : -5% to +5%
  - Underweight : -5% to -15%
  - Sell : Less than -15%

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