

BUY (Maintained)

Target Price (IDR) 1,300 (from 1,800)

Potential Upside (%) 16.6

Price Comparison

Cons. Target Price (IDR)	1,238
SSI vs. Cons. (%)	105.00

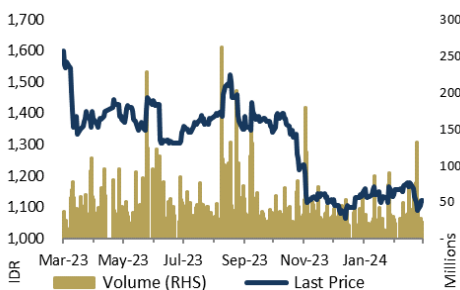
Stock Information

Last Price (IDR)	1,115
Shares Issued (Mn)	24,242
Market Cap. (IDR Bn)	27,029
52-Weeks High/Low (IDR)	1,610/1,060
3M Avg. Daily Value (IDR Bn)	42.4
Free Float (%)	43.0
Shareholder Structure:	
Pertamina (%)	56.94
Publik (%)	43.03

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	(1.3)	(3.5)	(0.9)	(30.3)
JCI Return	0.8	1.1	3.4	7.7
Relative	(2.1)	(4.6)	(4.3)	(38.0)

Stock Price & Volumes, 12M



Company Background

PT Perusahaan Gas Negara (PGAS) focuses on distribution and transmission of natural gas for industrial, commercial and household users. In addition, the company is engaged in the upstream oil and gas segment.

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Moderating Outlook

Derating, but recovery on the horizon. Concerns over PGAS' future performance have arisen due to various recent events, including the Gunvor 'force majeure' incident and management changes, resulting in a significant stock price derating. Despite this, we believe recovery is coming, driven by several factors: (1) PGAS' position as a key partner of Pertamina puts the company in the front seat to secure green energy development contracts from the new capital city project (IKN). For starters, PGAS plans to build a gas distribution network to distribute gas to various locations at IKN, while also working on increasing the company's total gas network size to 1,000 km. (2) PGAS aims for a 3% YoY increase in gas trading volumes to 960 bbtud, supported by additional supplies from the Jambaran Tiung Biru project, which will be distributed to PGAS' customers in Java and Sumatra. (3) The expiration of PGAS' HGBT gas price scheme at end-2024 provides flexibility to sell gas at spot prices or a premium to the Henry Hub. (4) PGAS and MEDC have agreed to extend their gas sale and purchase agreement (PJBG) through 2028, with no changes in the buy-sell scheme, allowing for PGAS to be able to maintain its gas costs and margins. (5) PGAS strategically offers Fasken Block for sale to help the company focus on its existing operating assets and gain cash for more O&G block acquisitions. However, it is worth noting that should Fasken be sold, Saka will lose about 7% of its revenue.

Post-Gunvor recovery, moderate earnings outlook. Despite the anticipated FY24F recovery, we trimmed our revenue forecast by -2.3% to USD 3.7 billion due to moderate FY24F gas distribution volume of 960 bbtud (+3% YoY). However, we marginally raised FY24F EBITDA and net profit projections by +6.1% and +4.6% to USD 1.1 billion (+3.1% YoY) and USD 276 million (reflecting 7.2% YoY EPS growth), given favorable EBITDA margins (28.7%) and post-Gunvor recovery. It should be noted that management's single-digit FY24F growth guidance aligns with our projection.

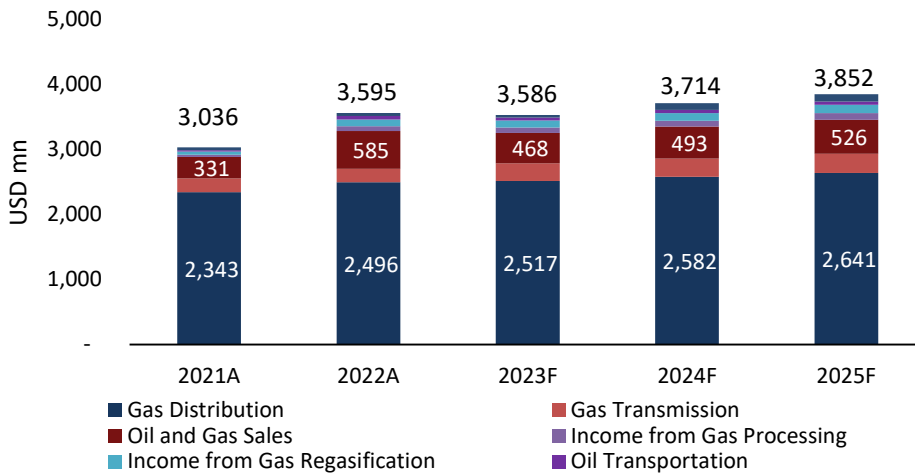
Maintain BUY, Lower TP to IDR 1,300. As we roll over our valuation to FY24F-FY25F, we maintain our BUY rating on PGAS, albeit with a lower TP of IDR 1,300, implying FY24F EV/EBITDA of 2.6x (-0.5 3-year st. deviation). This discounted valuation and recovery narrative might appeal to investors. On valuation, we transitioned from SOTP to Forward P/E band, as Saka Energy is not PGAS' primary growth driver (the potential sale of Fasken block will result in lower Saka's contribution in Pangkah, diminishing PGAS' high multiple).

Downside risks: Lower-than-expected operating metrics and negative sentiment from lower oil & gas prices.

Forecast and Valuations (@ IDR 1,115 per share)

Y/E Dec	21A	22A	23F	24F	25F
Revenue (USD Mn)	3,036	3,595	3,586	3,714	3,852
EBITDA (USD Mn)	842	1,134	1,035	1,067	1,127
EV/EBITDA (x)	4.6	2.6	2.9	2.2	1.6
Net Profit (USD Mn)	304	326	258	276	314
EPS (IDR)	179	207	163	175	199
EPS Growth (%)	na	15.6	(21.1)	7.2	13.8
P/E Ratio (x)	7.9	6.8	8.7	8.1	7.1
BVPS (IDR)	1,933	2,181	2,251	2,454	2,688
P/BV Ratio (x)	0.7	0.6	0.6	0.6	0.5
DPS (IDR)	14	148	29	32	36
Dividend Yield (%)	1.0	10.4	2.1	2.2	2.5
ROAE (%)	9.7	9.7	7.4	7.4	7.7
ROAA (%)	4.0	4.4	3.7	4.0	4.5
Interest Coverage (x)	2.7	4.6	4.7	5.9	8.0
Net Gearing (x)	0.4	0.22	0.20	0.0	(0.1)

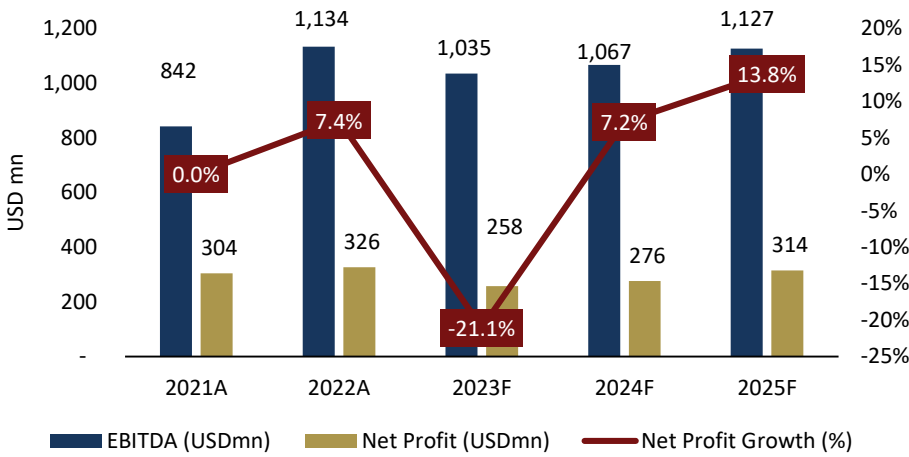
Figure 1. Revenue Breakdown



FY24F revenue of USD 3.7 billion (+3.6% yoy) with 69.5% of total top line coming from gas distribution

Source: SSI Research

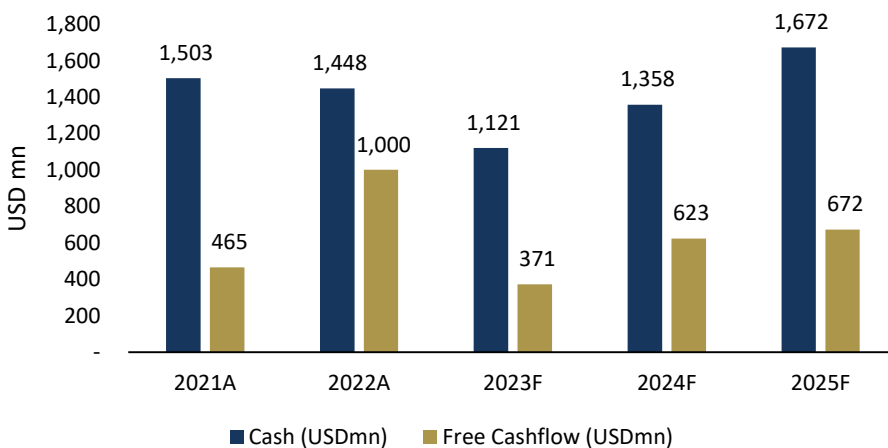
Figure 2. EBITDA, Net Profit & Net Profit Growth



FY24F EBITDA of USD 1.1 billion (+3.1% yoy) and net profit of USD 276 million, reflecting a net growth of +7.2% yoy

Source: SSI Research

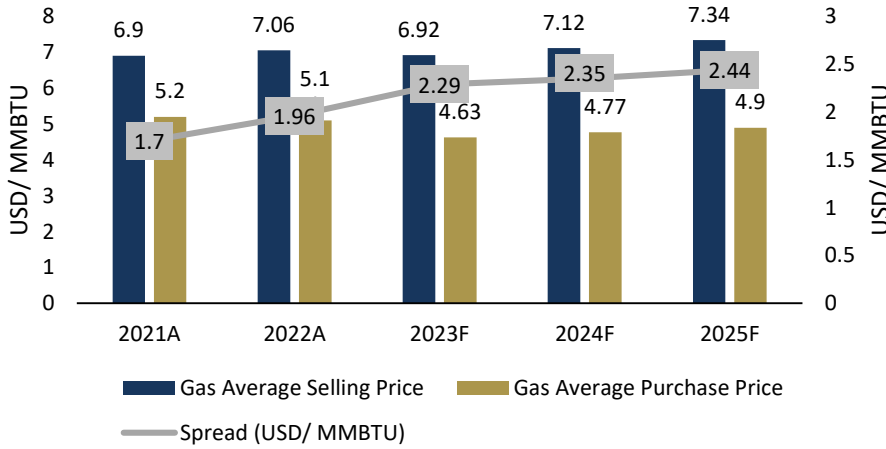
Figure 3. Cash & Free Cashflow



Stable capex outlook, coupled with moderate debt repayments will provide positive cashflows for PGAS, with a projected FY24F free cash flow of USD 634 million

Source: SSI Research

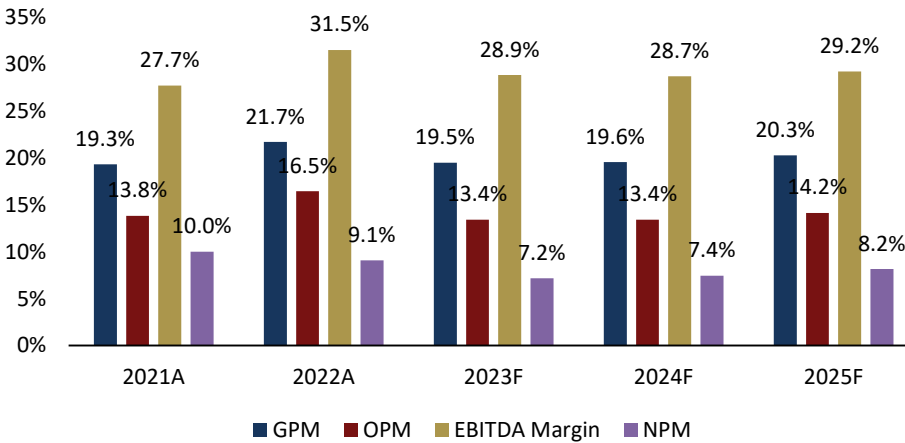
Figure 4. Natural Gas Operating Metrics



Enhancements in production amplification to result in improved FY24F gas spread, reaching USD 2.36 per million British thermal units (mmbtu)

Source: SSI Research

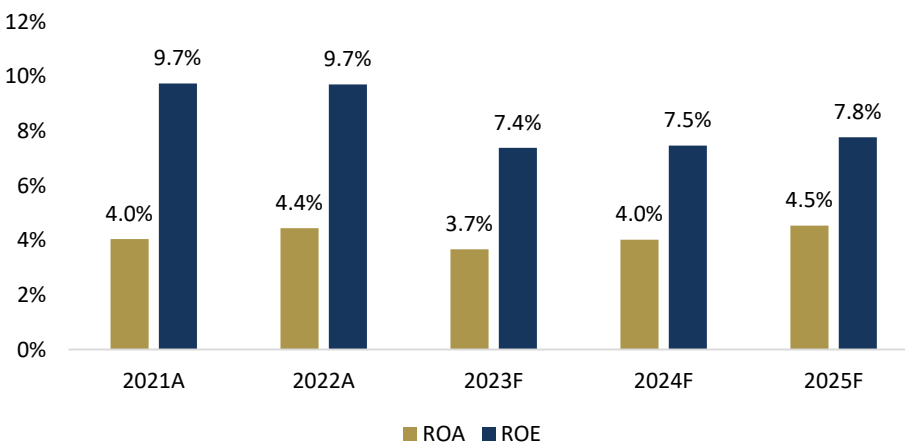
Figure 5. Profitability Margins



Stable margins are attributable to excellent distribution spread, and given the potential eradication of the HGBT, margins should improve in the upcoming years with FY24F EBITDA margin to reach 28.7%

Source: SSI Research

Figure 6. ROAA & ROAE



FY24F low ROAA of 4% and ROAE of 7.4% require higher margins and growth

Source: SSI Research

Figure 7. Changes in Forecasts

	New		Old		Change	
	23F	24F	23F	24F	23F	24F
Revenue (USDmn)	3,586	3,714	3,536	3,803	1.4%	(-2.3%)
EBITDA (USDmn)	1,035	1,067	987	1,006	4.9%	6.1%
Other Income/ Expense (Include Provision)	(40)	(21)	(20)	(21)	100.0%	0.0%
Net Profit (USDmn)	258	276	352	264	(-26.7%)	4.6%
EBITDA (USDmn)	163	175	225	167	(-27.6%)	4.8%
BVPS (IDR)	2,251	2,454	2,385	2,437	(-5.6%)	0.7%
EBITDA Margin (%)	28.9	28.7	29.5	26.5	(-2.0%)	8.3%

Source: SSI Research

We reduce our FY24F revenue forecast by -2.3% to USD 3.7 billion due to a single digit growth in gas distribution, yet we slightly increase our earnings forecast by +4.6% to USD 276 million due to improved EBITDA margins and recovery post-Gunvor

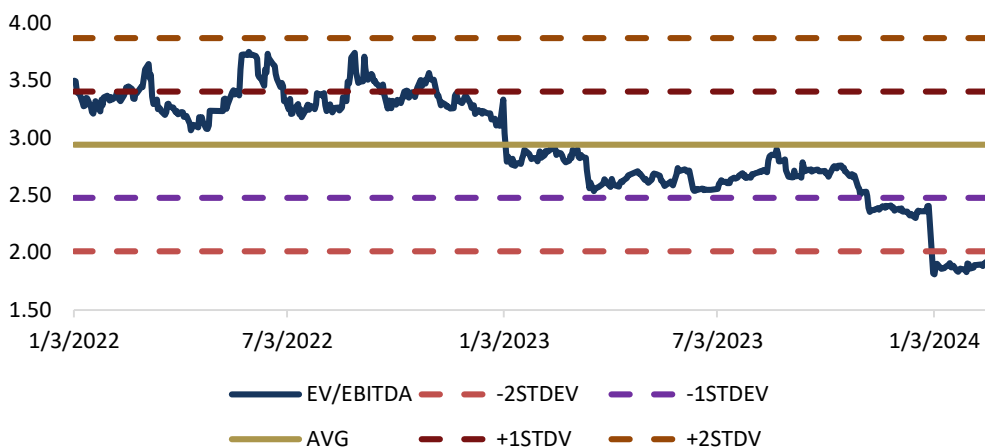
Figure 8. PGAS' 9M23

PT Perusahaan Gas Negara Tbk (PGAS.IJ)										
(USDmn)	3Q22	2Q23	3Q23	QoQ (%)	YoY (%)	9M22	9M23	YoY (%)	9M23/SSI	9M23/Cons
Revenue	901	850	907	7%	1%	2,642	2,691	2%	75%	74.0%
Operating Profit	140	144	106	-26%	-24%	480	390	-19%	81%	75.0%
EBITDA	265	266	239	-10%	-10%	849	763	-10%	74%	80.0%
Net Profit	72	59	53	-10%	-26%	311	199	-36%	77%	67.0%
Operating Margin (%)	16%	17%	12%	-5 bps	-4 bps	18%	14%	-4 bps		
EBITDA Margin (%)	29%	31%	26%	-5 bps	-3 bps	32%	28%	-4 bps		
Net Margin (%)	8%	7%	6%	-1 bps	-2 bps	12%	7%	-4 bps		

Source: SSI Research

PGAS posted 3Q23 revenue of USD 907 million (+1% yoy, +7% qoq) and net profit of USD 53 million (-26% yoy, -10% qoq); Our PGAS' revised down net profit is now in-line

Figure 9. EV/EBITDA Band Chart



Source: SSI Research

Our TP at IDR 1,300/share reflects an implied EV/EBITDA FY24F of 2.6x, -0.5 3-year st. deviation

Figure 10. Peers Comparison

Ticker	Company	Market Cap (USDmn)	EV (USDmn)	PE (x)		PBV (x)		EV/EBITDA (x)		ROA (%)		ROE (%)	
				2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
Midstream O&G Average			88,254.7	13.1	12.2	2.3	2.2	9.6	9.1	5.3	5.4	18.0	18.3
ENB US	Enbridge Inc	73,163	148,507	16.8	15.6	1.8	1.8	10.6	9.8	3.6	3.9	10.2	11.7
EPD US	Enterprise Products Partners LP	59,518	89,504	10.3	9.8	2.1	2.0	9.2	8.8	7.7	7.6	20.4	20.5
TRP US	TC Energy Corp	41,033	95,794	12.9	12.4	2.1	2.1	11.3	10.8	3.9	4.0	13.6	13.9
KMI US	Kinder Morgan Inc	38,595	71,322	14.1	13.7	1.3	1.3	8.9	8.7	4.1	3.6	9.2	9.2
ET US	Energy Transfer LP	49,304	110,140	9.2	8.6	1.6	1.5	7.4	7.2	5.5	6.0	16.7	17.4
MPLX US	MPLX LP	38,852	59,418	9.5	9.1	2.9	2.7	9.1	8.9	10.9	10.5	30.2	29.9
OKE US	ONEOK Inc	43,807	65,302	15.1	14.1	2.7	2.7	10.7	10.2	6.0	6.7	17.7	16.8
PBA US	Pembina Pipeline Corp	19,124	30,652	15.4	14.5	1.8	1.9	9.4	8.9	5.7	5.6	11.3	11.4
TRGP US	Targa Resources Corp	21,923	37,047	17.2	14.5	6.2	5.1	9.6	8.7	-	-	33.7	32.8
WES US	Western Midstream Partners LP	12,695	19,924	10.1	9.5	4.0	3.7	8.8	8.5	-	-	43.8	45.4
Upstream O&G Average			1,317,476	13.8	13.8	3.4	3.4	6.7	6.7	13.8	13.5	24.1	22.8
ARAMCO AB	Saudi Arabian Oil Co	2,045,488	2,071,504	16.7	17.2	4.9	4.8	8.0	8.1	18.1	17.9	30.3	28.4
XOM US	Exxon Mobil Corp	414,719	435,776	11.6	11.0	1.8	1.7	5.7	5.4	8.8	8.2	16.2	16.0
CVX US	Chevron Corp	282,323	301,318	11.8	10.5	1.7	1.7	5.6	5.1	9.9	8.6	15.2	16.1
SHELL NA	Shell PLC	203,191	241,728	7.7	7.5	1.0	1.0	3.9	4.0	7.0	6.6	13.6	12.9
PCCYF US	PetroChina Co Ltd	214,490	274,567	6.1	6.2	0.7	0.6	4.0	3.9	6.0	5.8	11.4	10.5
TTE US	TotalEnergies SE	152,925	167,921	7.1	7.1	1.2	1.1	4.0	4.1	7.2	6.3	17.5	15.2
COP US	ConocoPhillips	132,393	144,763	13.0	11.8	2.6	2.4	5.7	5.5	10.9	10.7	20.9	19.2
BP/ LN	BP PLC	98,792	138,431	7.2	6.7	1.3	1.2	3.5	3.4	4.3	4.4	18.3	17.4
Domestic O&G Average			2,432	8.1	6.9	1.5	1.4	4.8	4.3	5.4	5.9	14.3	15.0
MEDC IJ	Medco Energi Internasional Tbk	2,178	5,229	7.2	6.2	1.2	1.2	3.8	3.6	4.9	5.4	18.0	18.9
ENRG IJ	Energi Mega Persada Tbk	319	369	6.9	5.7	0.6	0.6	1.8	1.9	4.8	5.3	11.1	11.9
RAJA IJ	Rukun Raharja Tbk	360	499	21.3	14.2	2.4	2.2	8.4	6.1	5.9	7.8	11.9	15.8
AKRA IJ	AKR Corporindo Tbk	2,232	2,160	13.2	11.8	2.9	2.6	9.3	8.4	10.0	10.5	22.5	23.0
PGAS IJ	Perusahaan Gas Negara Tbk	1,699	2,892	7.0	6.4	0.6	0.6	2.9	2.2	3.6	3.7	8.7	8.4

Source: SSI Research, Bloomberg

Key Financial Figures

Profit and Loss					
Y/E Dec (USD mn)	21A	22A	23F	24F	25F
Revenues	3,036	3,595	3,586	3,714	3,852
Cost of goods sold	2,449	2,815	2,887	2,986	3,071
Gross Profit	587	781	699	727	781
SGA Expense	204	217	217	228	236
Operating Profit	420	592	482	499	545
EBITDA	842	1,134	1,035	1,067	1,127
Finance Income	25	27	29	27	32
Finance Expenses	153	130	102	85	68
Other Income/Expense (Include Provision)	59	(20)	(40)	(21)	(22)
Pre-tax profit	468	543	444	498	566
Income Tax	103	141	116	130	148
Profit for Period	365	401	328	368	419
Minority Interest	61	75	71	92	105
Net Profit	304	326	258	276	314

Operating profit to improve in FY24F with stable distribution volumes and margins; We also include USD 20 million provision expense which could arise from the Gunvor incident

Balance Sheet					
Y/E Dec (USD mn)	21A	22A	23F	24F	25F
Cash & equivalents	1,503	1,448	1,121	1,358	1,672
Receivables	413	568	567	587	609
Others	275	196	246	253	261
Total Current Assets	2,191	2,212	1,934	2,199	2,542
Net Fixed Asset	4,448	4,151	3,847	3,506	3,158
Other Non-Current Asset	872	832	1,078	1,178	1,280
Total Assets	7,511	7,195	6,858	6,882	6,981
ST. Bank loan	55	48	40	33	26
Payables	706	858	881	913	940
Other current Liabilities	119	87	87	87	87
Total Current Liabilities	881	993	1,008	1,032	1,053
LT. Debt	2,895	2,158	1,812	1,480	1,179
Other LT Liabilities	450	602	501	511	522
Total Liabilities	4,226	3,753	3,321	3,024	2,753
Minority Interest	760	808	879	971	1,075
Total Equity	3,285	3,442	3,537	3,859	4,228

Building up cash level and becoming a net cash position by FY25

Source: Company, SSI Research

Cash Flow					
Y/E Dec (USD mn)	21A	22A	23F	24F	25F
Net Profit	365	401	328	368	419
D&A	422	542	553	568	581
Changes in Working Capital	(175)	(8)	23	9	3
Operating Cash Flow	675	1,087	906	946	1,005
Capital Expenditure	(222)	(133)	(249)	(227)	(234)
Others	11	46	(286)	(96)	(99)
Investing Cash Flow	(211)	(87)	(535)	(323)	(333)
Net - Borrowing	(110)	(118)	(354)	(339)	(308)
Dividends	(24)	(233)	(233)	(46)	(50)
Other Financing	-	(644)	(111)	-	-
Financing Cash Flow	(134)	(996)	(698)	(386)	(358)
Net - Cash Flow	324	(56)	(327)	237	314
Cash at beginning	1,179	1,503	1,448	1,121	1,358
Cash at ending	1,503	1,448	1,121	1,358	1,672

Capital expenditures are poised to be stable ahead with focus on the gas network development

Key Ratios					
Y/E Dec (USD mn)	21A	22A	23F	24F	25F
Gross Profit Margin (%)	19.3	21.7	19.5	19.6	20.3
Operating Margin (%)	13.8	16.5	13.4	13.4	14.2
EBITDA Margin (%)	27.7	31.5	28.9	28.7	29.2
Pre-Tax Margin (%)	15.4	15.1	12.4	13.4	14.7
Net Profit Margin (%)	10.0	9.1	7.2	7.4	8.2
Debt to Equity (x)	0.66	0.53	0.48	0.43	0.38
Net Gearing (x)	0.44	0.22	0.21	0.04	-0.11

Favorable margins due to efficiency efforts and solid gearing ratio

Major Assumptions					
	21A	22A	23F	24F	25F
Transmission Volume Growth (%)	3.0	0.0	8.0	3.0	5.0
Distribution Volume Growth (%)	5.0	3.0	4.0	3.0	3.0
Oil and Gas Revenue Growth (%)	63.0	53.0	-8.0	5.0	7.0
Distribution Fee Growth (%)	-3.3	0.5	-13.4	-1.6	0.0
Distribution ASP Growth (%)	-3.3	3.6	-3.0	-0.4	-0.7
Transmission Toll Fee Growth (%)	-14.4	-2.2	21.5	0.0	0.0

Modest growth in gas distribution volumes, with stable ASP due to the expiration of HGBT at the end of FY24F

Source: Company, SSI Research

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