

**HOLD | TP : IDR1,550**
**PGAS Stock Price Data**

Last Price	:	IDR1,435
52wk High	:	IDR1,650
52wk Low	:	IDR1,060
Share Out	:	24.2bn
Market Cap	:	IDR34.8tn

**PGAS Stock Price Performance**

1-Day	:	-9.7%
1-Week	:	-9.7%
1-Month	:	-5.6%
3-Month	:	+26.4%
Year-to-Date	:	+25.9%

**Shareholders**

Government of Indonesia	:	57.0%
Public	:	43.0%

**PT Perusahaan Gas Negara Tbk (PGAS IJ)**  
**1Q24 Outclassed Expectations, Yet Operational Challenges Linger**
**Scrutinizing the Gas Distribution Performance**

- In 1Q24, PGAS recorded a distribution margin of USD2.46/MMBtu or increased by +26.1% QoQ/+39.9% YoY, thanks to higher ASP +4.1% QoQ/+7.3% and lower cost of gas procurement and transmission at -3.6% QoQ/-2.9% YoY. The cost reductions were in line with the decline in the gas distribution volume to 858BBTud, representing a slowdown of -7.0% QoQ or -12.1% YoY. This setback stemmed chiefly from the gas undersupply occurring in Sumatra and West Java regions. However, management remains optimistic with the target of 954BBTud for this year, or +3.4% YoY from the realization of 923BBTud in FY23, supported by the plan to accelerate new customers acquisitions, viable additional supply seeking from the non-corridor blocks, and the optimisation of the FRSU in Lampung, which is systematically integrated to the SSWJ (South Sumatra-West Java) transmission infrastructure. Following this, management expanded the distribution spread to USD1.6-1.8/MMBtu from USD1.4-1.7/MMBtu but is yet beneath the margin of FY23 at USD1.95/MMBtu.
- Our projections on the distribution spreads for FY24E/FY25F are USD1.7/MMBtu and USD1.82/MMBtu, representing -13.0%/+7.1% YoY changes, respectively. This is in accordance with our estimation on the gas sales volume at 925BBTud for FY24E and 928BBTud for FY25F, both represent a lenient growth of 0.3% YoY, as we assume that the supply chains will remain challenging. Additionally, our takes on the gas purchase and transmission costs to grow by +7.4%/+0.1% YoY in FY24E/FY25F also influence our spread assumption.

**A Snapshot of Outcomes in 1Q24**

- PGAS posted a revenue of USD949.3million in 1Q24 or grew by +1.7% YoY but declined from USD949.3million in 4Q24 (-0.7% QoQ). This was on track with our outlook, reflecting 25.4%/25.5% of our estimation/consensus. On a quarterly basis, the setback was mainly attributed to the performances of the gas trading segment (-9.5% QoQ), the O&G sales (-10.3% QoQ), the gas processing (-79.2% QoQ), and the oil transportation (-19.8% QoQ). Meanwhile, the growth on annual basis was supported by the income stream in LNG trading segment at USD61.08million, constituting to 6.4% of the total revenue in 1Q24. Additionally, the gas transmission (+1.7% YoY) and the regasification (+10.9% YoY) also contributed to the growth.
- Despite a modest change in the top-line, the company booked a better-than-expected net income of USD121.1million in 1Q24, soaring by +52.2% QoQ or +40.8% YoY and reflecting 37.4%/30.1% to our estimation/consensus. This expansion was propelled by the efficiency in the COGS (-1.0%/-2.6% QoQ/YoY) and the finance costs (+6.1%/-27.0% QoQ/YoY). The decline in COGS was in line with the drop in the operating activities.
- Our forecasts on the top- and bottom-lines in FY24E and FY25F to grow at +2.6%/+1.2% YoY and +16.4%/+0.4% YoY, respectively, driven by the growth LNG and regasification activities (+34.1%/26.6% YoY in FY24E/FY25F) and the revenue from gas processing (+21.2%/+3.0% YoY in FY24E/FY25F). Meanwhile, we expect the gas trading revenue to promote steadily at 2.3% /1.7%YoY in FY24E/FY25E amidst challenges in all other business segments.

**Reaffirming a HOLD rating, with TP: IDR1,550/Share**

We maintain a HOLD recommendation for PGAS with a TP of IDR1,550/share (+8.0% upside), implying 2.6x of FY24E EV/EBITDA. Reflecting from its 5-year EV/EBITDA, PGAS is currently trading near STD-1.5. Our justifications stem on several considerations, include: 1) the operating performance of PGAS indicates steady but soft outlook; 2) existing supply chain issues expose potential risks to meet distribution target and sustain future performance; 3) the fragility of oil and gas industry due to the ongoing geopolitical clashes between Russia and Ukraine and in the Middle East.

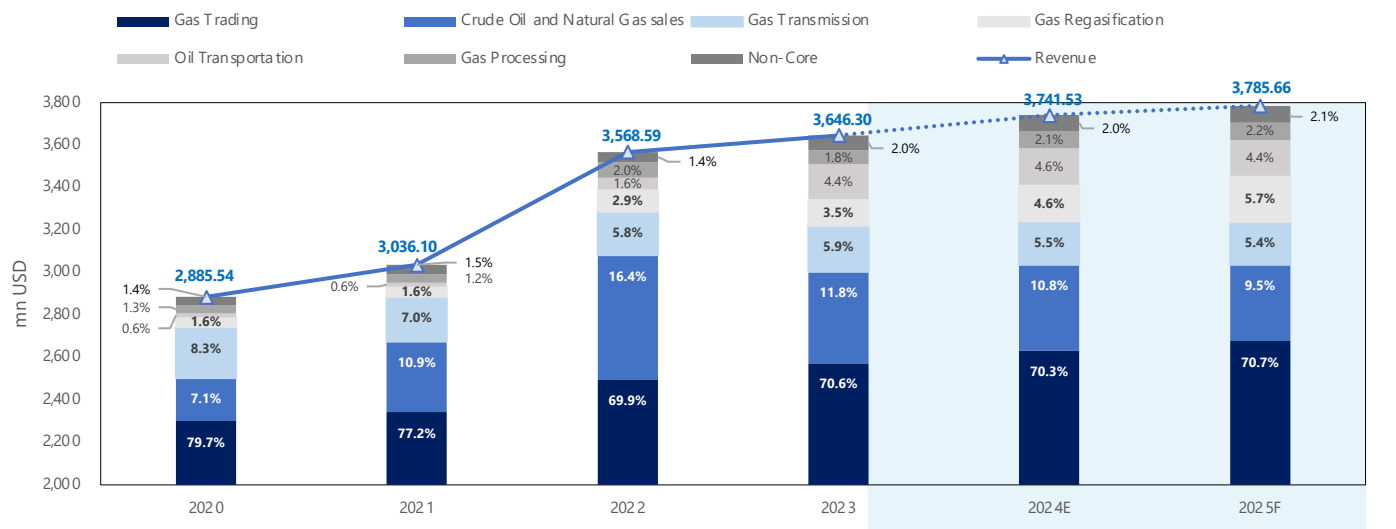
Key Financial Highlight (USD mn)	FY21	FY22	FY23	FY24E	FY25F
Revenue	3,036.1	3,568.6	3,646.3	3,741.5	3,785.7
Net Income	303.8	326.2	278.1	323.8	325.1
EPS (IDR)	179.0	210.2	177.0	216.4	217.2
PE (x)	8.0	6.8	8.1	6.6	6.6
BVS (IDR)	1,935.7	2,217.7	2,252.8	2,454.3	2,521.3
PBV (x)	0.7	0.6	0.6	0.6	0.6
EV/EBITDA (x)	5.1	3.2	3.2	3.2	3.1
ROA (%)	4.0	4.5	4.2	4.8	4.7
ROE (%)	9.2	9.5	7.9	8.8	8.6

Sources : Bloomberg, MNCS Research


**Research Analyst**

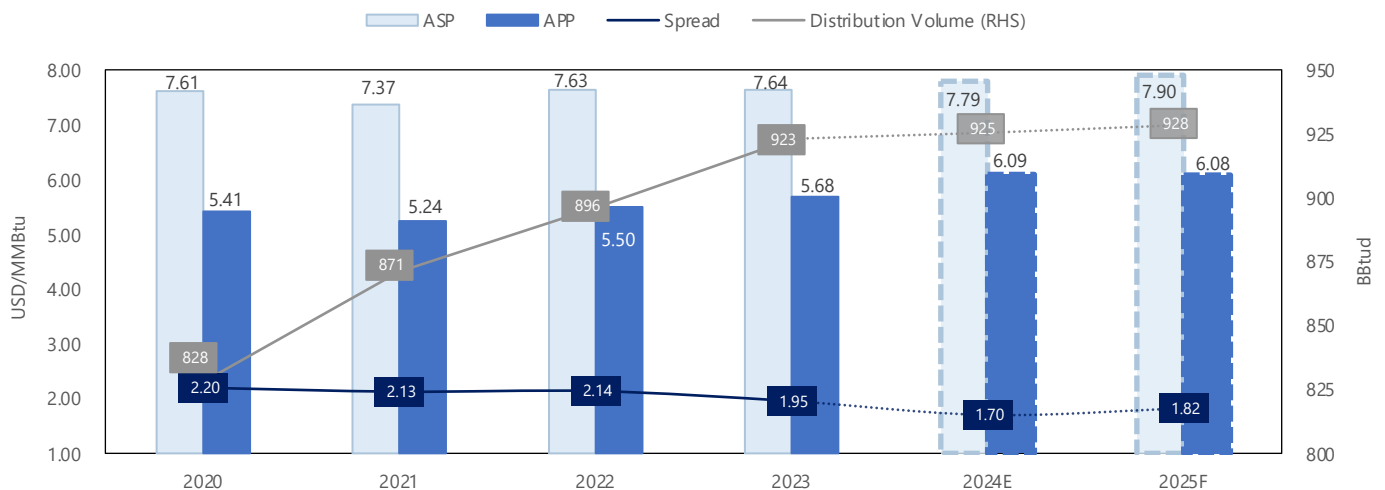
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**Exhibit 01. PGAS' segment contribution profile and projection**



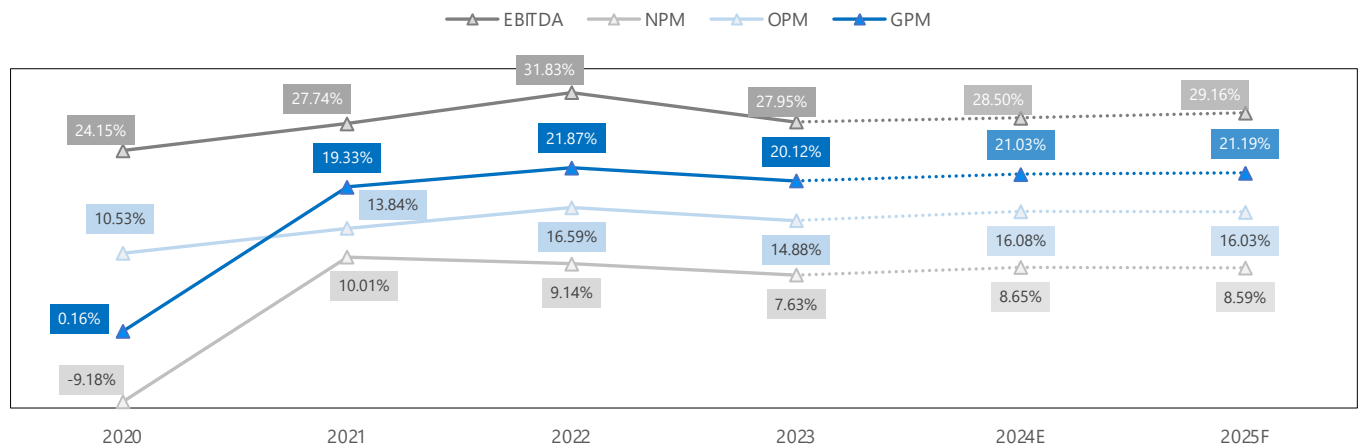
Sources: Company, MNCS

**Exhibit 02. The natural gas distribution metrics of PGAS**



Sources: Company, MNCS

**Exhibit 03. PGAS' earnings performance throughout the years**



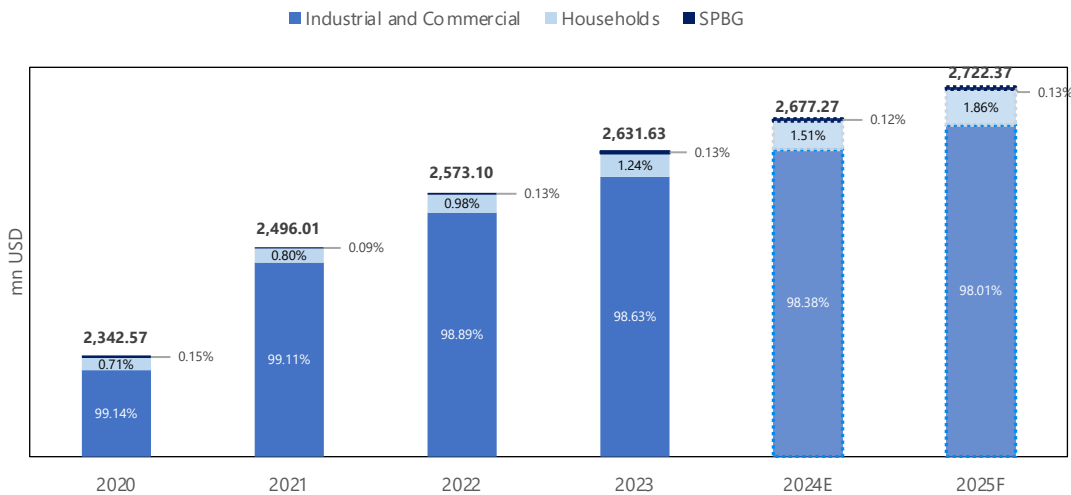
Sources: Company, MNCS

**Exhibit 04. The performance of PGAS in 1Q24 compared to consensus and our projections**

USD million	1Q23	4Q23	1Q24	QoQ	YoY	FY24E Consensus	FY24E MNCS	% Consensus	% MNCS
<b>Revenue</b>	<b>933.7</b>	<b>955.6</b>	<b>949.3</b>	<b>-0.7%</b>	<b>1.7%</b>	<b>3,719.1</b>	<b>3,741.5</b>	<b>25.5%</b>	<b>25.4%</b>
COGS	756.9	745.1	737.6	-1.0%	-2.6%	2,704.1	2,954.6	27.3%	25.0%
<b>Gross Profit</b>	<b>176.8</b>	<b>210.5</b>	<b>211.8</b>	<b>0.6%</b>	<b>19.8%</b>	<b>1,015.1</b>	<b>787.0</b>	<b>20.9%</b>	<b>26.9%</b>
Gross Profit Margin	18.9%	22.0%	22.3%			27.29%	21.03%		
<b>Operating Profit</b>	<b>139.3</b>	<b>152.5</b>	<b>169.0</b>	<b>10.8%</b>	<b>21.3%</b>	<b>572.6</b>	<b>601.7</b>	<b>29.5%</b>	<b>28.1%</b>
EBIT Margin	14.9%	16.0%	17.8%			15.40%	16.08%		
<b>EBITDA</b>	<b>257.9</b>	<b>256.0</b>	<b>284.1</b>	<b>11.0%</b>	<b>10.2%</b>	<b>1,043.0</b>	<b>1,066.2</b>	<b>27.2%</b>	<b>26.6%</b>
EBITDA Margin	27.6%	26.8%	29.9%			28.04%	28.50%		
<b>Profit Before Tax</b>	<b>148.3</b>	<b>156.3</b>	<b>185.0</b>	<b>18.3%</b>	<b>24.7%</b>	<b>646.3</b>	<b>582.7</b>	<b>28.6%</b>	<b>31.7%</b>
<b>Net Profit</b>	<b>86.0</b>	<b>79.6</b>	<b>121.1</b>	<b>52.2%</b>	<b>40.8%</b>	<b>402.3</b>	<b>323.8</b>	<b>30.1%</b>	<b>37.4%</b>
Net Profit Margin	9.2%	8.3%	12.8%			10.82%	8.65%		

Sources: Company, MNCS

**Exhibit 05. Gas Trading Customers Profile**



Sources: Company, MNCS

**Exhibit 06. PGAS is currently trading near STD-1.5 of its 5-Year EV/EBITDA**



Sources: Company, MNCS

## Exhibit 07. Financial Projections

Income Statement						Balance Sheet					
USD Million	2021	2022	2023	2024E	2025F	USD Million	2021	2022	2023	2024E	2025F
<b>Revenues</b>	<b>3,036.1</b>	<b>3,568.6</b>	<b>3,646.3</b>	<b>3,741.5</b>	<b>3,785.7</b>	<b>Total Current Assets</b>	<b>2,191.2</b>	<b>2,212.4</b>	<b>1,892.4</b>	<b>2,018.0</b>	<b>2,074.6</b>
COGS	(2,449.3)	(2,788.1)	(2,912.7)	(2,954.6)	(2,983.3)	Cash and Cash Equivalents	1,503.3	1,447.7	1,244.7	1,120.5	1,085.8
<b>Gross Profit</b>	<b>586.8</b>	<b>780.5</b>	<b>733.6</b>	<b>787.0</b>	<b>802.3</b>	Trade Receivables	413.3	568.3	448.2	665.6	767.5
Operating Expense	(167.1)	(198.7)	(201.7)	(195.7)	(206.1)	Inventory	54.8	59.6	71.0	75.5	81.7
<b>EBIT</b>	<b>420.3</b>	<b>592.2</b>	<b>542.4</b>	<b>601.7</b>	<b>606.7</b>	Other Current Assets	219.9	136.8	128.5	156.3	139.5
<b>EBITDA</b>	<b>842.1</b>	<b>1,136.0</b>	<b>1,019.1</b>	<b>1,066.2</b>	<b>1,103.8</b>	<b>Total Non-Current Assets</b>	<b>5,319.8</b>	<b>4,982.5</b>	<b>4,706.8</b>	<b>4,750.0</b>	<b>4,799.4</b>
Interest Expense	(153.3)	(132.4)	(97.6)	(100.2)	(101.4)	Fixed Assets - net	3,949.4	3,688.6	3,502.4	3,526.1	3,568.4
Other income (expense)	0.6	10.3	10.6	10.4	10.5	Other Non-Current Assets	1,370.4	1,293.9	1,204.4	1,223.8	1,231.0
<b>Profit Before Tax</b>	<b>467.9</b>	<b>542.7</b>	<b>523.9</b>	<b>582.7</b>	<b>587.4</b>	<b>Total Assets</b>	<b>7,510.9</b>	<b>7,194.9</b>	<b>6,599.2</b>	<b>6,767.9</b>	<b>6,874.0</b>
Tax Expense	(103.4)	(141.4)	(147.3)	(157.8)	(160.1)	<b>Total Current Liabilities</b>	<b>863.9</b>	<b>992.6</b>	<b>1,462.4</b>	<b>1,530.6</b>	<b>1,537.2</b>
Net Income Before MI	364.5	401.3	376.6	424.9	427.4	Trade Payables	165.4	236.2	245.2	251.3	250.2
Minority Interest	60.7	75.1	98.5	101.1	102.3	Short-term Debt	55.5	48.2	629.7	633.1	639.7
<b>Net Income</b>	<b>303.8</b>	<b>326.2</b>	<b>278.1</b>	<b>323.8</b>	<b>325.1</b>	Other Current Liabilities	643.0	708.2	587.5	646.2	647.3
EPS (full amount)	0.0	0.0	0.0	0.0	0.0	<b>Total Long-Term Liabilities</b>	<b>3,362.1</b>	<b>2,760.5</b>	<b>1,596.4</b>	<b>1,564.7</b>	<b>1,564.0</b>
						Long-Term Debt	2,845.0	2,101.4	915.8	945.8	911.1
						Other Long-Term Liabilities	517.1	659.1	680.6	618.9	652.9
						<b>Total Equity</b>	<b>3,284.9</b>	<b>3,441.8</b>	<b>3,540.4</b>	<b>3,672.6</b>	<b>3,772.8</b>
						<b>Total Liabilities &amp; Equity</b>	<b>7,510.9</b>	<b>7,194.9</b>	<b>6,599.2</b>	<b>6,767.9</b>	<b>6,874.0</b>

Cash Flow						Ratios					
USD Million	2021	2022	2023	2024E	2025F	2021	2022	2023	2024E	2025F	
<b>CFO</b>	<b>291.7</b>	<b>536.3</b>	<b>456.4</b>	<b>313.6</b>	<b>424.2</b>	Revenue Growth (%)	5.2	17.5	2.2	2.6	1.2
Net Income	303.8	326.2	278.1	323.8	325.1	EBIT Growth (%)	38.4	40.9	(8.4)	10.9	0.8
Depreciation	160.1	158.2	175.2	174.6	190.5	EBITDA Growth (%)	20.8	34.9	(10.3)	4.6	3.5
Change in Working Capital	23.9	(89.1)	117.8	(215.8)	(109.3)	Net Income Growth (%)	(214.7)	7.4	(14.8)	16.4	0.4
Change in Others	(196.1)	141.0	(114.7)	31.0	17.9	Current Ratio (x)	2.5	2.2	1.3	1.3	1.3
<b>CFI</b>	<b>48.9</b>	<b>186.3</b>	<b>102.7</b>	<b>(217.8)</b>	<b>(240.0)</b>	Quick Ratio (x)	2.5	2.2	1.2	1.3	1.3
Capex	(123.6)	(162.4)	(176.4)	(196.3)	(230.8)	Receivables Days	61.3	55.7	55.5	70.0	78.9
Change in Others	172.5	348.7	279.1	(21.5)	(9.2)	Payable Days	28.4	26.3	30.2	31.1	30.6
<b>CFF</b>	<b>(16.4)</b>	<b>(778.3)</b>	<b>(762.0)</b>	<b>(220.0)</b>	<b>(218.9)</b>	Debt to Equity (x)	0.9	0.6	0.4	0.4	0.4
Short-Term Debt	(8.7)	(7.3)	581.6	3.3	6.7	Debt to EBITDA (x)	3.4	1.9	1.5	1.5	1.4
Long-Term Debt	26.5	(743.6)	(1,185.6)	29.9	(34.6)	Gross Profit Margin (%)	19.3	21.9	20.1	21.0	21.2
Change in Equity	-	-	-	-	-	EBIT Margin (%)	13.8	16.6	14.9	16.1	16.0
Dividend	-	(206.0)	(228.4)	(191.6)	(224.9)	EBITDA Margin (%)	27.7	31.8	27.9	28.5	29.2
Other	(34.1)	178.5	70.4	(61.7)	33.9	Net Profit Margin (%)	10.0	9.1	7.6	8.7	8.6
Change in Cash	324.2	(55.6)	(202.9)	(124.2)	(34.7)	ROA (%)	4.0	4.5	4.2	4.8	4.7
<b>Closing Balance</b>	<b>1,503.3</b>	<b>1,447.7</b>	<b>1,244.7</b>	<b>1,120.5</b>	<b>1,085.8</b>	ROE (%)	9.2	9.5	7.9	8.8	8.6

Sources : Company, MNCS Research

**MNC Research Industry Ratings Guidance**

- **OVERWEIGHT** : Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months
- **NEUTRAL** : Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months
- **UNDERWEIGHT** : Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

**MNC Research Investment Ratings Guidance**

- **BUY** : Share price may exceed 10% over the next 12 months
- **HOLD** : Share price may fall within the range of +/- 10% of the next 12 months
  - **SELL** : Share price may fall by more than 10% over the next 12 months
  - **Not Rated** : Stock is not within regular research coverage

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