

May 11, 2023



Research Center

Morning KISI/

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Perusahaan Gas Negara (PGAS)

Resilient downstream segment

Steady growth from downstream & midstream continues....

Indicative Apr2023 distribution volume is flat MoM at ~1,000 bbtud (~2% higher than 1Q23's average), which should translate into 4M23 distribution volume to be ~982 bbtud (~7% higher YoY). Similarly, indicative Apr2023 transmission volume is ~1% higher MoM at ~1,300 mmscfd (~1% higher than 1Q23's average), forming 4M23 distribution volume at ~1,292 mmscfd (~7.5% higher YoY). Better distribution & transmission volume could mostly be attributed to PGAS' ability to secure additional gas supply towards end of last year to serve central & east Java area from Husky CNOOC Madura Ltd (HCML) & the full operation of Jambaran Tung Biru (JTB) gas processing facilities (GPF). We expect distribution & transmission volume growth to normalize to ~3% p.a. from FY24 onwards. In addition, PGAS' other segments' (such as regasification, LPG processing & oil transportation) performance remains solid.

...to offset the expected decline in upstream's revenue & profit

Sustained high oil & gas prices in 2022 (as ICE Brent crude price averages at USD99/bbl, back to a high level last seen in 2014) helped PGAS's upstream subsidiary Saka Energi Indonesia (SEI) to generate record high segment profit of USD158.4mn. However, YTD, ICE Brent crude price has retreated by ~11% as developed countries' demand underwhelmed due to sluggish industrial activity offsetting robust gains from China and emerging countries. Recent OPEC+ production cuts by ~1.16mn bpd could be a short-term catalyst on crude price but could be later balanced by an increase in non-OPEC+ production including US shale gas (which output is traditionally positively correlated to crude price). We revised down our FY23/24F SEI's ASP by 3% and upstream lifting by 22%. As crude oil price is expected to average around USD80/bbl this year, this hampers PGAS' plan to divest some of SEI's oil & gas assets. SEI's operation should be self-sustained with a cash position of USD407mn (as of end 2022), and decent cash generation to potentially redeem early its USD376mn maturing bond.

Maintain BUY call on PGAS for its solid downstream business

We tweaked our assumptions to account for a lower volume on SEI's O&G lifting & its average O&G prices, resulting in 6%/7% lower earnings for FY23/24F. Our PGAS' SOTP valuation at IDR1,850/sh implies 8.25x FY23F PE and 4x FY23F EV/EBITDA (both at -0.5 std dev of its 5-year average). Risks to our call include the potential changes in USD6/mmbtu gas volume allocation and other changes in regulations.

	2021A	2022A	2023F	2024F	2025F
Sales (USD mn)	3,036	3,569	3,716	3,798	3,884
GP (USD mn)	958	1,214	1,234	1,227	1,252
OP (USD mn)	420	582	574	582	592
Core profit (USD mn)	211	336	334	369	343
NP (USD mn)	304	326	363	369	343
EBITDA (USD mn)	842	1,124	1,102	1,136	1,172
Net debt (USD mn)	784	112	214	436	685
OP margin (%)	13.8	16.3	15.5	15.3	15.2
ROE (%)	9.7	9.7	10.0	9.3	8.1
Dividend yield (%)	9.9	6.4	8.1	8.2	-
Core EPS (USD)	0.009	0.014	0.014	0.015	0.014
chg. (% YoY)	98.2	59.1	(0.6)	10.4	(7.0)
BPS (USD)	0.136	0.142	0.157	0.170	0.181
DPS (USD)	0.010	0.006	0.007	0.008	-
PE (x)	11.5	6.5	6.9	6.2	6.7
PB (x)	0.7	0.6	0.6	0.6	0.5
EV/EBITDA (x)	4.7	2.8	3.1	3.3	3.6

12M rating **BUY (Maintain)**
12M TP **IDR 1,850** (Prev **IDR2,450**)
Upside **+29.8%**

Stock Data

JCI (May 10)	6,812
Stock price (May 10, IDR)	1,425
Market cap (IDR bn)	34,544
Shares outstanding (mn)	24,241
52-week high/low (IDR)	1,995 / 1,325
6M avg. daily turnover (IDR bn)	67.1
Free float (%)	43.0

Major shareholders (%)

Pertamina (Persero)	57.0
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Performance

	1M	6M	12M
Absolute (%)	3.7	(22.7)	4.8
Relative to JCI (%)	4.5	(19.0)	(5.8)

PGAS stock price



Source: Bloomberg

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Market Commentary

Market Commentary

- JCI closed 31pts higher on Wed, buoyed by the broad-based rebound in blue-chip shares along with significant gain in GOTO IJ.
- Asian shares slipped along with European stocks and US futures as cautious investors awaited a US inflation report.
- 6/11 rose, with tech and consumer non-cyclicals leading the advance, while basic materials and property dragged.
- Major banks saw modest gain with BMRI IJ and BBRI IJ both gained ~0.50%, followed by TLKM IJ and UNVR IJ.
- GOTO surged as much as 8.26% on potential MSCI inclusion, that will be announced later this week.
- NCKL (-4.76%) led nickel shares lower, on weaker nickel price as traders eyed weak China imports. MBMA IJ -1.27%, INCO IJ -1.41%.
- Top value were: GOTO (+8,2%), BBRI (+0,4%), BBCA (0,0%)
- Top Gainers: GOTO (+8,2%), TLKM (+1,4%), BBRI (+0,4%)
- Top Losers: BEBS (-6,3%), AKRA (-6,9%), AMRT (-1,0%)

News

Macroeconomic, Sector and Corporate News

- EXCL – Recorded 1Q23 net profit of IDR 201bn, +44% YoY, forming 12%/14% of our/cons FY23F ests. (Kontan)
- JSMR – To distribute IDR75.7/shs dividend (~2.2% yield). Cum:19May2023. (Bisnis)
- ABMM – To distribute IDR400/shs dividend (~11.4% yield). (Bisnis)
- SMBR – To distribute IDR1.9/shs dividend (~0.5% yield). Cum date: 16May2023
- MCAS – Plans for non-preemptive rights issue of 86.8mn shares (~10% of capital). EGM: 14Jun2023 (Kontan)
- MIKA – Allocates IDR800bn capex in FY23 for construction of 2-3 new hospitals. (Bisnis)
- TINS – Allocates FY23 capex of IDR950bn (down from IDR2tn in FY22) mainly for maintenance. (Bisnis)
- PSAB – Recorded 1Q23 net loss of USD 15mn (vs. 1Q22 net profit of USD 669k).
- HILL – Recorded 1Q23 net profit of IDR 123bn, +21% YoY.

Outliers

Outlier Stocks

- Sharp Movers (Up) : JATI (+26,4%), TOTL (24,9%), RAAM (+24,7%)
- Sharp Movers (Down) : SMK (-9,9%), HAJJ (-9,7%), AKRA (-7%)

Macro Calendar

May 11, 2023

Mon	Tue	Wed	Thu	Fri
3	4	5	6	7
US> February construction spending (mom) March Markit manufacturing PMI (F) March ISM manufacturing PMI Europe> March Markit manufacturing PMI (F) China> March Caixin manufacturing PMI Japan> 1Q23 Tankan large manufacturers index 1Q23 Tankan large services index March Jibun Bank manufacturing PMI (F)	Korea> March CPI US> February job openings and labor turnover survey February manufacturing orders February durable goods orders (F) Europe> February PPI Japan> March monetary base	Korea> March FX reserves US> February trade balance March ADP employment chg. March Markit services/composite PMI March ISM services PMI MBA mortgage applications Europe> March Markit services/composite PMI (F) China> Market closed (Qingming Festival) Japan> March Jibun Bank composite PMI (F) March Jibun Bank services PMI (F)	US> Initial jobless claims Continuing claims for unemployment insurance China> March Caixin composite PMI March Caixin services PMI	Korea> February current balance US> Market closed (Easter) March jobless rate March non-farm payrolls March avg. hourly wages March economic activity participation rate China> March FX reserves Japan> February household spending February leading/coincident index (P)
10	11	12	13	14
US> February wholesale inventory (F) China> March total social financing Japan> February current balance February current balance (not seasonally adjusted) March consumer expectation index	Korea> BoK MPC meeting US> NHIB small business optimism index Europe> February retail sales (mom) China> March CPI March PPI Japan> March machine tool orders (P)	Korea> March jobless rate US> March FOMC minutes release March CPI MBA mortgage applications Japan> February core machinery orders March PPI	US> Initial jobless claims Continuing claims for unemployment insurance March PPI Europe> February industrial production China> March trade balance March imports/exports Japan> March M2 money stock (yoy)	US> March retail sales March mining and manufacturing production March facility utilization rate April U. of Michigan consumer confidence index (P) April U. of Michigan consumer expectation index (P) April U. of Michigan inflation expectations (P) Japan> March nationwide/Tokyo department store sales
17	18	19	20	21
US> April New York manufacturing index April NAHB housing market index	US> March housing construction starts March building permits China> 1Q23 GDP March mining and manufacturing production (mom) March retail sales March jobless rate	US> MBA mortgage applications Fed Beige Book release Europe> March CPI Japan> February mining and manufacturing production (F) February facility utilization rate (mom)	US> Initial jobless claims Continuing claims for unemployment insurance April Philadelphia Fed economic outlook March existing home sales Europe> April consumer expectation index (P) Japan> March trade balance March imports/exports March machine tool orders (F)	US/Europe>] April Markit services/composite PMI (P) April Markit manufacturing PMI (P) Japan> March CPI April Jibun Bank composite PMI (P) April Jibun Bank manufacturing PMI (P) April Jibun Bank services PMI (P)
24	25	26	27	28
US> March Chicago Fed national activity index April Dallas Fed manufacturing activity index	Korea> 1Q23 GDP US> February FHFA house price index March new home sales April CB consumer expectation index April Richmond Fed manufacturing index	Korea> US-Korea summit (scheduled) April consumer sentiment index US> MBA mortgage applications March retail inventory March wholesale inventory (P) March durable goods orders (P)	US> Initial jobless claims Continuing claims for unemployment insurance 1Q23 private spending 1Q23 GDP March pending home sales April Kansas City manufacturing activity index Europe> April consumer expectation index (F) China> March industrial production Japan> BoJ MPC meeting (-April 28)	Korea> March mining and manufacturing production (yoy) US> March private consumption expenditure April U. of Michigan consumer confidence index (F) April U. of Michigan consumer expectation index (F) April U. of Michigan inflation expectations (F) Europe> 1Q23 GDP Japan> March jobless rate March mining and manufacturing production (P) March retail sales March housing construction starts April Tokyo CPI

Note: 1) Figures in parentheses represent the latest reported figures, Bloomberg estimates and previous reported figures in that order. For example: Data (actual reported figures, Bloomberg estimate, previous reported figures). Bloomberg estimates are subject to change 2) Earnings release date is from Bloomberg or company announcement