

Wednesday, 26 July 2023

BUY Maintain

| | |
|-----------------------------|--------|
| Last price (IDR) | 790 |
| Target Price (IDR) | 1,090 |
| Upside/Downside | +38.0% |
| Previous Target Price (IDR) | 1,050 |

Stock Statistics

| | |
|------------------------------|--------------|
| Sector | Utilities |
| Bloomberg Ticker | PGEO IJ |
| No of Shrs (mn) | 31,046 |
| Mkt. Cap (IDRbn/USDmn) | 24,526/1,633 |
| Avg. daily T/O (IDRbn/USDmn) | 18.1/1.2 |

Major shareholders (%)

| | |
|------------------------------|------|
| PT Pertamina Power Indonesia | 69.1 |
| Masdar Indonesia | 15.0 |
| Estimated free float | 10.0 |

EPS Consensus (USDcents)

| | 2023F | 2024F | 2025F |
|----------------|--------|--------|--------|
| Danareksa | 0.6 | 0.6 | 0.7 |
| Consensus | 15.1 | 15.2 | 20.2 |
| Danareksa/Cons | (96.3) | (96.1) | (96.5) |

PGEO relative to JCI Index



Source : Bloomberg



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PT Pertamina Geothermal Energy Tbk (PGEO IJ) Still Solid

PGEO posted solid results in 1H23 with earnings up by 30.1% yoy to USD92.7 mn on the back of improving revenues during this period. The earnings number in 1H23 was relatively in-line with ours (55%) but above the consensus (62%). We raise our TP to IDR1,090 (previously IDR1,050) as we adjust our earnings forecasts upwards. Our new TP offers 35% upside to the current share price. Maintain BUY.

1H23 result relatively in-line with ours but above the consensus. PGEO posted solid results in 1H23 with earnings up by 30.1% yoy to USD92.7 mn on the back of higher revenues during this period. The earnings number in 1H23 was relatively in-line with ours (55%) but above the consensus (62%). Revenues in 1H23 reached USD206.7 mn, up 11.9% yoy, supported by higher ASP realization. This, in turn, also led to margins expansion across the board. The gross, EBITDA and net margins in 1H23 stood at 59.9% (vs. 1H22's 55.5%), 84.8% (vs. 1H22's 83.8%) and 44.9% (vs. 1H22's 38.6%).

On a quarterly basis, revenues were relatively stable at USD104 mn (+1.5% qoq) but earnings declined slightly by 2.4% due to the lower ASP in 2Q23.

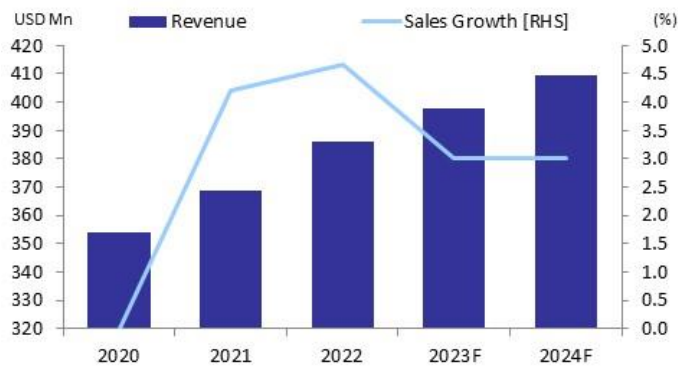
Solid operational performance. On the operating front, PGEO's total production reached 2,397 GWH, +7.7% yoy which was driven by electricity and steam production that increased by 7.3% & 8%, respectively. ASP for electricity and steam was went up 2.5% yoy and 2.4% yoy, to USDc9.9/KWh and USD6.3/KWh, respectively, the blended ASP was improved 2.6% yoy to USDc8.2/KWh. On quarterly basis, both electricity and steam price was declined by 0.63% qoq and 0.9% qoq to USDc6.3/KWh and USDc9.8/KWh with blended ASP at USD8.1/KWh, down 0.7% qoq. The ASP decline in 2Q23 was mainly due to lower U.S. CPI during this period.

We raise our 2023-24 earnings forecasts. We slightly raise our 2023-24F earnings assumptions by 3.5% and 4.8%, respectively, as we lower our COGS assumptions by 3% and 4% for 2023-24F. In 1H23, PGEO's major project Lumut Balai Unit 2 underwent preparation for pile loading testing, while land acquisition was done for Lahendong Units 7&8, with the administration process undertaken for 2 clusters, engineering design for the infrastructure work, and preparation for expansion drilling.

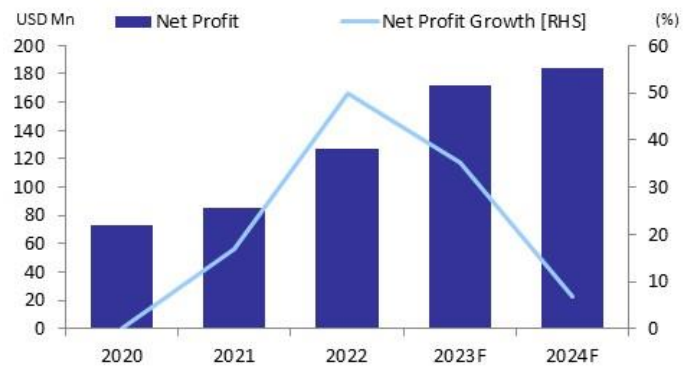
Maintain BUY. At this stage, we raise our TP to IDR1,090 (previously IDR1,050) as we lift our earnings forecasts. Our new TP offers 35% upside to the current share price. Maintain BUY.

Key Financials

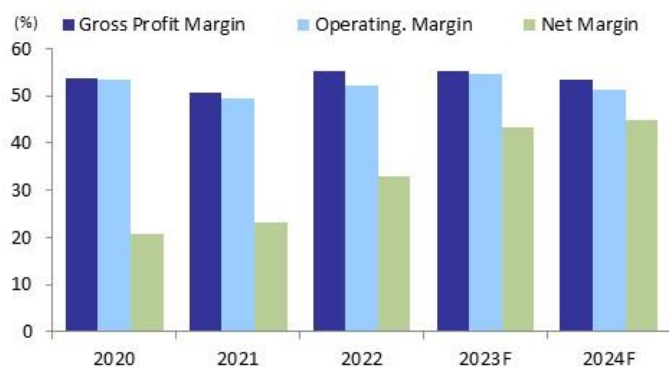
| Year to 31 Dec | 2021A | 2022A | 2023F | 2024F | 2025F |
|--------------------|-------|-------|-------|-------|-------|
| Revenue (USDmn) | 369 | 386 | 398 | 410 | 463 |
| EBITDA (USDmn) | 289 | 306 | 334 | 340 | 385 |
| EBITDA Growth (%) | (0.9) | 5.7 | 9.2 | 1.9 | 13.1 |
| Net profit (USDmn) | 85 | 127 | 172 | 184 | 220 |
| EPS (USDcents) | 0.3 | 0.4 | 0.6 | 0.6 | 0.7 |
| EPS growth (%) | 16.8 | 49.7 | 35.2 | 6.9 | 19.5 |
| BVPS (USDcents) | 4.0 | 4.0 | 6.3 | 6.6 | 7.0 |
| DPS (USDcents) | 0.0 | 0.0 | 0.2 | 0.3 | 0.3 |
| PER (x) | 26.0 | 17.4 | 12.8 | 12.0 | 10.0 |
| PBV (x) | 1.8 | 1.1 | 1.1 | 1.0 | 0.9 |
| Dividend yield (%) | 0.0 | 0.0 | 3.9 | 5.3 | 5.6 |
| EV/EBITDA (x) | 8.7 | 8.2 | 7.5 | 7.4 | 6.5 |

Exhibit 1. Revenues and Growth


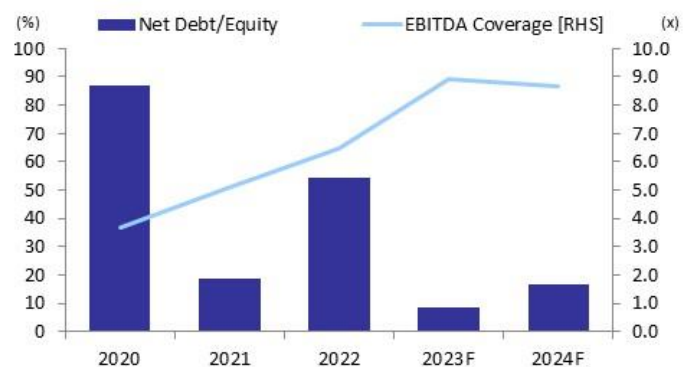
Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth


Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 3. Margins


Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 4. Gearing Level


Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 5. PGEO 1H23 Result

| | 1H23 | 1H22 | yoy | 2Q23 | 1Q23 | qoq | vs.ours | vs. cons |
|-------------------|--------|--------|--------|---------|--------|---------|---------|----------|
| Revenue | 206.7 | 184.7 | 11.9% | 104.12 | 102.6 | 1.5% | 52.0% | 52.5% |
| COGS | (82.9) | (82.2) | 0.9% | (41.80) | (41.1) | 1.6% | | |
| Gross profit | 123.8 | 102.6 | 20.7% | 62.31 | 61.5 | 1.3% | | |
| Opex | (1.9) | (1.6) | 21.9% | (1.37) | (0.5) | 165.6% | | |
| Operating profit | 121.9 | 101.0 | 20.7% | 60.94 | 61.0 | 0.0% | 56.1% | 57.6% |
| EBITDA | 175.4 | 154.9 | 13.2% | 87.59 | 87.8 | -0.2% | | |
| Interest expenses | (12.5) | (5.1) | 146.0% | (6.08) | (6.4) | -5.8% | | |
| Others-net | 28.6 | 13.8 | 107.2% | 12.97 | 15.6 | -16.9% | | |
| EBT | 138.0 | 109.7 | 25.7% | 67.83 | 70.1 | -3.3% | | |
| Tax | (45.2) | (38.4) | 17.7% | (22.03) | (23.2) | -5.0% | | |
| Minority interest | (0.0) | (0.0) | 440.0% | - | (0.0) | -100.0% | | |
| Net profit | 92.7 | 71.3 | 30.1% | 45.81 | 46.9 | -2.4% | 55.3% | 62.0% |
| Gross margin | 59.9% | 55.5% | | 59.9% | 59.9% | | | |
| Operating margin | 59.0% | 54.7% | | 58.5% | 59.4% | | | |
| EBITDA margin | 84.8% | 83.8% | | 84.1% | 85.5% | | | |
| Net margin | 44.9% | 38.6% | | 44.0% | 45.7% | | | |

Source: BRIDS, MEDC

Exhibit 6. Income Statement

| Year to 31 Dec (USDmn) | 2021A | 2022A | 2023F | 2024F | 2025F |
|-------------------------|------------|------------|------------|------------|------------|
| Revenue | 369 | 386 | 398 | 410 | 463 |
| COGS | (182) | (173) | (178) | (191) | (207) |
| Gross profit | 186 | 213 | 220 | 218 | 256 |
| EBITDA | 289 | 306 | 334 | 340 | 385 |
| Oper. profit | 182 | 201 | 217 | 210 | 247 |
| Interest income | 1 | 1 | 1 | 1 | 1 |
| Interest expense | (15) | (15) | (11) | (9) | (7) |
| Forex Gain/(Loss) | 0 | 0 | 0 | 0 | 0 |
| Income From Assoc. Co's | 0 | 0 | 0 | 0 | 0 |
| Other Income (Expenses) | (39) | 7 | 0 | 0 | 0 |
| Pre-tax profit | 130 | 195 | 207 | 202 | 242 |
| Income tax | (44) | (67) | (35) | (18) | (22) |
| Minority interest | 0 | 0 | 0 | 0 | 0 |
| Net profit | 85 | 127 | 172 | 184 | 220 |
| Core Net Profit | 85 | 127 | 172 | 184 | 220 |

Exhibit 7. Balance Sheet

| Year to 31 Dec (USDmn) | 2021A | 2022A | 2023F | 2024F | 2025F |
|---------------------------------------|--------------|--------------|--------------|--------------|--------------|
| Cash & cash equivalent | 125 | 262 | 625 | 270 | 187 |
| Receivables | 131 | 126 | 133 | 136 | 139 |
| Inventory | 16 | 20 | 17 | 18 | 18 |
| Other Curr. Asset | 7 | 25 | 11 | 14 | 17 |
| Fixed assets - Net | 1,957 | 1,902 | 2,148 | 2,368 | 2,430 |
| Other non-curr.asset | 160 | 140 | 145 | 144 | 143 |
| Total asset | 2,397 | 2,475 | 3,080 | 2,949 | 2,934 |
| ST Debt | 16 | 616 | 567 | 400 | 287 |
| Payables | 100 | 163 | 216 | 160 | 179 |
| Other Curr. Liabilities | 84 | 79 | 75 | 79 | 78 |
| Long Term Debt | 338 | 328 | 228 | 218 | 168 |
| Other LT. Liabilities | 630 | 34 | 35 | 35 | 36 |
| Total Liabilities | 1,168 | 1,220 | 1,120 | 891 | 748 |
| Shareholder's Funds | 1,229 | 1,256 | 1,960 | 2,058 | 2,186 |
| Minority interests | 0 | 0 | 0 | 0 | 0 |
| Total Equity & Liabilities | 2,397 | 2,475 | 3,080 | 2,949 | 2,934 |

Exhibit 8. Cash Flow

| Year to 31 Dec (USDmn) | 2021A | 2022A | 2023F | 2024F | 2025F |
|----------------------------|-------------|--------------|--------------|--------------|--------------|
| Net income | 85 | 127 | 172 | 184 | 220 |
| Depreciation and Amort. | 108 | 105 | 117 | 130 | 138 |
| Change in Working Capital | (260) | 64 | 46 | (58) | 16 |
| Other Oper. Cash Flow | 8 | (22) | 12 | (1) | (4) |
| Operating Cash Flow | (60) | 274 | 347 | 256 | 370 |
| Capex | 13 | (49) | (363) | (350) | (200) |
| Others Inv. Cash Flow | (7) | 20 | (5) | 2 | 1 |
| Investing Cash Flow | 6 | (29) | (368) | (348) | (199) |
| Net change in debt | (86) | (13) | (149) | (177) | (162) |
| New Capital | 121 | (101) | 533 | (86) | (92) |
| Dividend payment | 0 | 0 | 0 | 0 | 0 |
| Other Fin. Cash Flow | (12) | 6 | 1 | 1 | 1 |
| Financing Cash Flow | 24 | (108) | 384 | (263) | (254) |
| Net Change in Cash | (30) | 137 | 363 | (355) | (83) |
| Cash - begin of the year | 155 | 125 | 262 | 625 | 270 |
| Cash - end of the year | 125 | 262 | 625 | 270 | 187 |

Exhibit 9. Key Ratios

| Year to 31 Dec | 2021A | 2022A | 2023F | 2024F | 2025F |
|--------------------------|-------|-------|-------|-------|-------|
| Growth (%) | | | | | |
| Sales | 4.2 | 4.7 | 3.0 | 3.0 | 13.1 |
| EBITDA | (0.9) | 5.7 | 9.2 | 1.9 | 13.1 |
| Operating profit | (3.6) | 10.6 | 8.2 | (3.3) | 17.4 |
| Net profit | 16.8 | 49.7 | 35.2 | 6.9 | 19.5 |
| Profitability (%) | | | | | |
| Gross margin | 50.6 | 55.1 | 55.3 | 53.3 | 55.3 |
| EBITDA margin | 78.5 | 79.2 | 84.0 | 83.1 | 83.1 |
| Operating margin | 49.3 | 52.1 | 54.7 | 51.3 | 53.3 |
| Net margin | 23.0 | 33.0 | 43.3 | 44.9 | 47.5 |
| ROAA | 3.4 | 5.2 | 6.2 | 6.1 | 7.5 |
| ROAE | 7.5 | 10.2 | 10.7 | 9.2 | 10.4 |
| Leverage | | | | | |
| Net Gearing (x) | 0.2 | 0.5 | 0.1 | 0.2 | 0.1 |
| Interest Coverage (x) | 12.5 | 13.6 | 19.2 | 22.8 | 37.9 |

Source : PGEO, Danareksa Estimates

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