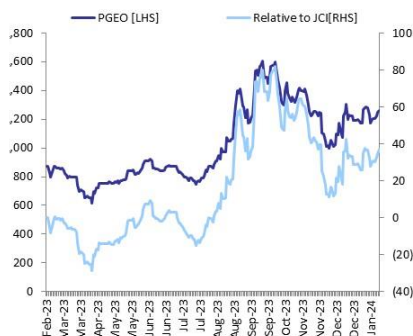


Buy

(Maintained)

Last Price (Rp)	1,260
Target Price (Rp)	1,470
Previous Target Price (Rp)	1,090
Upside/Downside	+16.7%
No. of Shares (mn)	31,046
Mkt Cap (Rpbn/US\$mn)	39,118/2,501
Avg, Daily T/O (Rpbn/US\$mn)	134.3/8.6
Free Float (%)	10.0
Major Shareholder (%)	
PT Pertamina Power Indonesia	69.1
Masdar Indonesia	15.0
EPS Consensus (Rp)	
	2023F 2024F 2025F
BRIDS	0.6 0.6 0.7
Consensus	0.3 0.4 0.4
BRIDS/Cons (%)	85.9 48.9 75.4

PGEO relative to JCI Index



Source: Bloomberg

Pertamina Geothermal Energy (PGEO II)

Expect strong growth in 2025F onwards

- PGEO has already secured additional PPA for a total of 285 MW of expansion capacity.
- We slightly lowered our FY24F earnings by -4.3% to account for the impact of maintenance, but expect strong growth of 17.8% in FY25F.
- We maintain our Buy rating and raise our TP to Rp1,470 as we account additional capacity from the newly-secured PPA projects.

Quick wins to have 1 GW of installed capacity.

PGE aims to increase the installed capacity that it managed directly to 1 GW hence, it will add 340 MW to 672 MW of current installed capacity. PGEO has already secured PPA for a total of 285MW of expansion capacity. In the next 2 years, PGEO aims to add around 175 MW from Hulu Lais Units 1 & 2 (110 MW) and Lumut Balai Unit 2 (55 MW), with the remaining 110 MW from Lumut Balai Ext. A and C1 expected to be completed in FY30F. In regards to inorganic opportunities, the management is looking at the possibility of acquiring some geothermal assets.

Expect production to decline slightly in 2024 due to maintenance

In FY24, PGEO targets a slight decline in production to 4,612 GWh, down 2.6% yoy, due to major maintenance scheduled this year (Exhibit.3). PGEO is scheduled to conduct maintenance on some of its assets, namely Kamojang unit 1 and 4. This maintenance is expected to take around 26-31 days to complete as it is a major turnaround. In addition, the company plans to conduct major maintenance in Lahendong, Ulubelu, Karaha and Lumut Balai. In spite of this maintenance, however, the company still believes that its 2024 production targets can be achieved.

Expect earnings to record double-digit growth in 2025F

With PGEO's 2024 production target being slightly below ours (prev. 4,735 GWh), we consequently revise our production forecast by 2.6%. In turn, this reduces our 2024F earnings forecast by 4.3% to US\$185mn. Nevertheless, for 2025F, we believe PGEO's production volume could record double-digit growth at 11.1% to 5,126 GWh due to the absence of major maintenance and additional capacity from Lumut Balai Unit 2 that will begin to contribute at end-2024F. As a result, we expect earnings in 2025F to reach US\$218 mn or up 17.8% yoy.

Maintain Buy with a higher TP of Rp1,470

We raise our 2030F capacity forecast from 838 MW to 958 MW, to take into account the additional 285 MW capacity secured. This uplift our DCF-based TP to Rp1,470 (prev. Rp1,090). We maintain our Buy rating on the attractive LT growth outlook. Key risks to our call include delays in the schedule of brine projects and prolonged maintenance.

Key Financials

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Revenue (US\$mn)	369	386	399	410	449
EBITDA (US\$mn)	289	306	335	341	383
EBITDA Growth (%)	(0.9)	5.7	9.6	1.9	12.1
Net Profit (US\$mn)	85	127	173	185	218
EPS Growth (%)	16.8	49.7	36.0	6.8	17.8
DPS (US\$cents)	0.0	0.0	0.2	0.3	0.3
PER (x)	41.1	27.5	20.2	18.9	16.1
PBV (x)	2.8	1.8	1.7	1.6	1.5
EV/EBITDA	15.7	14.6	11.9	12.1	10.6

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Source: PGEO, BRIDS Estimates

Exhibit 1. Projects timeline

PROJECT	CODE	Capacity Base Case (MW)	COD Base Case
Lumut Balai Unit 2	LMB	55	31-Dec-24
Sungai Penuh CC	SPN	10	31-Dec-26
Hululais Unit 1	HLS	55	31-Jul-26
Hululais Unit 2	HLS	55	31-Jul-26
Lumut Balai Ext A (Bun bun)	LMB	55	31-Dec-30
Lumut Balai Ext C1(Tj. Tiga)	LMB	55	31-Dec-31
Total		285	

Source: Company BRIDS Estimates

Exhibit 2. Earnings estimates revision

	Old	2023F		2024		2024		Changes		
			New	Old	New	Old	New	2023F	2024F	2025F
Revenue		399	399	407	396	449	449	0.0%	-2.6%	0.0%
Gross profit		221	221	224	215	254	254	0.0%	-4.1%	0.0%
EBITDA		335	335	351	341	383	383	0.0%	-2.6%	0.0%
Net profit		173	173	193	185	218	218	0.0%	-4.3%	0.0%
Gross margin		55.4%	55.4%	55.1%	54.3%	56.4%	56.4%			
EBITDA margin		84.0%	84.0%	86.1%	86.1%	85.1%	85.1%			
Net margin		43.4%	43.4%	47.5%	46.6%	48.5%	48.5%			

Source: Company BRIDS Estimates

Exhibit 3. Estimated maintenance days

Areas	Units	Capacity (MW)	Days of Operations (Days)	Planned Shutdown (Days)
Kamojang	1	30	335	31
	2	55	357	9
	3	55	359	7
	4	60	340	26
	5	35	363	3
Lahendong	1	20	346	20
	2	20	346	20
	3	20	321	45
	4	20	321	45
	5	20	353	13
	6	20	353	13
Ulubelu	1	55	358	8
	2	55	321	45
	3	55	353	13
	4	55	363	3
Karaha	1	30	335	31
Lumut Balai	1	55	345	21

Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 4. Valuation

FCFF (US\$ mn)	2,706
Terminal Value (US\$ mn)	1,477
Enterprise Value (US\$ mn)	4,183
Net Debt (US\$ mn)	82
Value of Equity (US\$ mn)	4,101
No. of shares (bn)	41.4
Price per share (Rp/sh)	1,470

Source: Company, BRI Danareksa Sekuritas estimates

Exhibit 5. Income Statement

Year to 31 Dec (US\$mn)	2021A	2022A	2023F	2024F	2025F
Revenue	369	386	399	410	449
COGS	(182)	(173)	(178)	(181)	(196)
Gross profit	186	213	221	215	254
EBITDA	289	306	335	341	383
Oper. profit	182	201	219	211	245
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	209	203	239
Income tax	(44)	(67)	(35)	(18)	(22)
Minority interest	0	0	0	0	0
Net profit	85	127	173	185	218
Core Net Profit	85	127	173	185	218

Exhibit 6. Balance Sheet

Year to 31 Dec (US\$mn)	2021A	2022A	2023F	2024F	2025F
Cash & cash equivalent	125	262	626	272	186
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	3,081	2,951	2,933
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	1,961	2,060	2,185
Minority interests	0	0	0	0	0
Total Equity & Liabilities	2,397	2,475	3,081	2,951	2,933

Exhibit 7. Cash Flow

Year to 31 Dec (US\$mn)	2021A	2022A	2023F	2024F	2025F
Net income	85	127	173	185	218
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	348	257	368
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	(87)	(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	364	(355)	(86)
Cash - begin of the year	155	125	262	626	272
Cash - end of the year	125	262	626	272	186

Exhibit 8. Key Ratio

Year to 31 Dec	2021A	2022A	2023F	2024F	2025F
Growth (%)					
Sales	4.2	4.7	3.4	(0.6)	13.4
EBITDA	(0.9)	5.7	9.6	1.9	12.1
Operating profit	(3.6)	10.6	8.8	(3.4)	15.8
Net profit	16.8	49.7	36.0	6.8	17.8
Profitability (%)					
Gross margin	50.6	55.1	55.4	54.3	56.4
EBITDA margin	78.5	79.2	84.0	86.1	85.1
Operating margin	49.3	52.1	54.8	53.3	54.4
Net margin	23.0	33.0	43.4	46.6	48.5
ROAA	3.4	5.2	6.2	6.1	7.4
ROAE	7.5	10.2	10.8	9.2	10.3
Leverage					
Net Gearing (x)	0.2	0.5	0.1	0.2	0.1
Interest Coverage (x)	12.5	13.6	19.3	22.9	37.6

Source : PGEO, BRIDS Estimates

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INVESTMENT RATING

BUY	Expected total return of 10% or more within a 12-month period
HOLD	Expected total return between -10% and 10% within a 12-month period
SELL	Expected total return of -10% or worse within a 12-month period

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