

Buy

(Re-Initiated)

Last Price (Rp)	975
Target Price (Rp)	1,200
Previous Target Price (Rp)	n/a
Upside/Downside	+23.1%
No. of Shares (mn)	41,396
Mkt Cap (Rpbn/US\$mn)	40,361/2,482
Avg, Daily T/O (Rpbn/US\$mn)	16.3/1.0
Free Float (%)	10.2
Major Shareholder (%)	
PT Pertamina Power Indonesia	69.3
Mitra Daya Mustika	15.0
EPS Consensus (US\$cents)	
	2024F 2025F 2026F
BRIDS	0.4 0.4 0.4
Consensus	0.4 0.4 0.4
BRIDS/Cons (%)	3.9 7.3 10.2

PGEO relative to JCI Index



Source: Bloomberg

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Pertamina Geothermal Energy (PGEO II) Organic Expansion Finally Bearing Fruit; Re-initiate coverage with Buy rating

- PGEO plans to add 55MW of capacity in May25 from Lumut Balai unit 2.
- We expect moderate earnings growth of +3.3%/+2.7% in FY25-26F as we forecast overall ASP to increase by +2.6% yoy.
- Resume coverage with a BUY rating and TP of Rp1,200. Key risks include lower availability/capacity factor and delays in the project timeline.

Organic expansion finally bearing fruit

PGEO will add 55MW of geothermal capacity through Lumut Balai unit 2, expected in May25, which marks its first capacity addition since its IPO in FY23 and will bring the total installed capacity to 728MW. The next step towards its 1GW goal in FY28 will be derived from the operation of Hululais unit 1 and 2 in 2027 (110MW), and co-generation projects with PLN (of which 45MW have been announced in Ulubelu of 30MW and Lahendong of 15MW), as well as developing greenfield capacity of c.400MW.

A slow but steady growth

We forecast +3.3%/+2.7% EPS growth in FY25-26F to US\$178mn/US\$183mn, assuming FY25 electricity generation of 4,930GWh, +2.12% yoy, derived from the capacity addition from Lumut Balai, which increases the portion of electricity sales (vs. steam sales) and has a higher ASP of US\$9.8 cents/KWh (vs. US\$6.4 cents/KWh). Aside from Hululais, all future greenfield projects will be based on electricity sales, which we estimate will average c.US\$9.8 cents for the first 10 years in operation, based on our calculation from PP No.112/2022.

Resuming coverage with a BUY rating and a TP of Rp1,200

We resume coverage on PGEO with a Buy rating on robust growth trajectory and attractive FY25F valuation of EV/EBITDA at 6.5x (vs. regional peers at 11.6x). Our TP of Rp1,200 is derived from a DCF valuation method on all existing projects (Kamojang, Lahendong, Ulubelu, Lumut Balai, Karaha). Our TP implies an EV/EBITDA of 8.2x/7.8x, while at current share price, PGEO's valuation stands at 6.5x EV/EBITDA. Key risks to our view include 1) lower availability/capacity factor, and 2) delays in project timeline.

Key Financials

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (US\$mn)	386	406	417	442	460
EBITDA (US\$mn)	308	332	346	374	392
Net Profit (US\$mn)	127	164	172	178	183
EPS (US\$cents)	0.4	0.4	0.4	0.4	0.4
BVPS (US\$cents)	4.8	5.1	5.4	5.7	6.0
PER (x)	14.6	15.2	14.4	14.0	13.6
PBV (x)	1.5	1.1	1.2	1.1	1.1
EV/EBITDA	8.3	7.6	7.2	6.5	5.9

Source: PGEO, BRIDS Estimates

Organic expansion finally bearing fruit

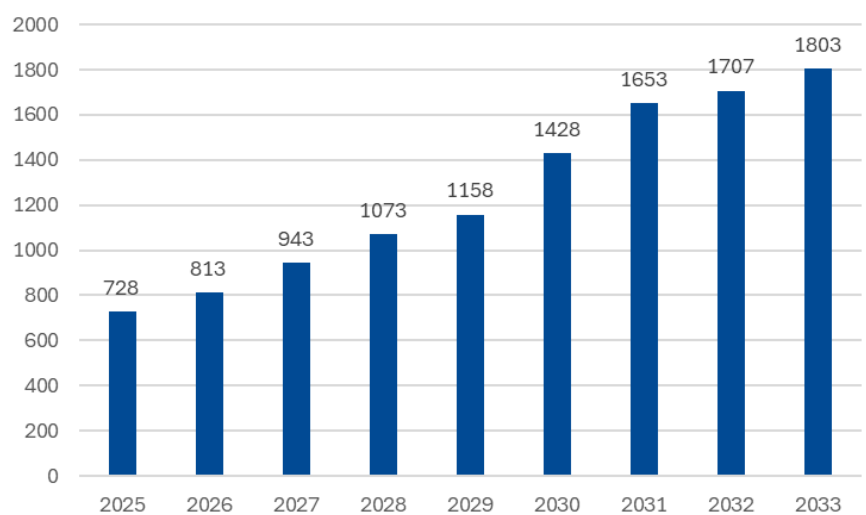
For the first time since its IPO in FY23, PGEO will add new geothermal capacity of 55MW in Lumut Balai Unit 2. Although the mechanical completion reached 89% in Dec24, the plant is expected to start commercial operation by May25, when it will instantly generate at full capacity once activated.

With the addition of Lumut Balai Unit 2, PGEO's installed capacity will rise from 672MW to 728MW. The progress of Lumut Balai has been prompt, as EPCC started in Dec22, taking roughly 2 years of construction until its operational date.

Moving forward, PGEO's organic growth will be driven by Hululais Unit 1 & 2 in Bengkulu, which are expected to operate in FY27. At present, the project has successfully secured a steam sales contract (SSC) with PLN and is awaiting PLN to build the power plant, which is expected to take c.25 months. Once operating, Hululais will generate 110MW of geothermal power.

We expect another organic growth opportunity to come from co-generation with PLN on existing wells. The capacity addition on these projects could be considerably expansive, though the initial measured capacity of 45MW will be derived from Ulubelu Binary (30MW) and Lahendong (15MW), which should come on stream by May27, subject to agreement with PLN. These additions will bear a lower capex of c.US\$3-3.5mn/MW as they are built on top of existing wells, whereas new exploration wells would cost c.US\$5.5-6mn/MW. Thus, capex intensity in these projects will be significantly reduced.

Exhibit 1. PGEO installed capacity projection FY25-33 (MW)



Source: Company, BRIDS

PGEO's long-term aspiration remains the same, which is to grow its portfolio beyond 1GW and double its current capacity by FY30. Based on its current projections, PGEO should reach 1.4GW in 2030 and 1.8GW in 2033 through the support of quick win areas, extension projects, and greenfield projects.

Exhibit 2. Existing installed capacity

No	Geothermal Working Area (WKP)	Well Operator	Plant Operator	Unit	Capacity Installed
1	Kamojang, West Java	PGEO	Pt Indonesia Power PGEO	Unit 1, 2, 3 Unit 4, 5	235
2	Lahendong, North Sulawesi	PGEO	PLN PGEO	Unit 1, 2, 3, 4 Unit 5, 6	120
3	Karaha Cakrabuana, West Java	PGEO	PGEO	Unit 1	30
4	Lumut Balai dan Margabayur, South Sumatera	PGEO	PGEO	Unit 1	55
5	Gunung Way Panas/Ulubelu, Lampung	PGEO	PLN PGEO	Unit 1, 2 Unit 3, 4	220

Source: Company, BRIDS

Exhibit 3. Extension and green field potential capacity

Plant	Capacity (MW)	COD Plan	Notes
Seulawah	55	2031	Obtaining production forest access for PT Aceh Nusa Indrapuri Commerciality study between PGE, and PEMA
Tanjung Tiga 1	55	2031	Preparation for Exploration Feasibility Study Target Final Investment Decision: Q1-2025
Bunbun	55	2030	Preparation for Exploration Feasibility Study Target Final Investment Decision: Q4-2024
Gunung Tiga	55	2028	Final Investment Decision completed Acceleration process of IPPKH (Forest Area Borrow-Use Permit
Way Ratai	55	2032	Geothermal License from Government has been issued on 24th Sep 2024
Kotamobagu	80	2029	Business scheme discussion with project strategic partner (Mubadala)
Lahendong 7&8	2x20	2027	Assess reservoir for resource simulation Feasibility Study Development -est. Dec 2024

Source: Company, BRIDS

We view the major risk as the inclusion of PGEO's co-generation projects in PLN's 10-year electricity supply business plan (RUPTL). A new RUPTL for the period 2025-2034 is expected to be released soon, and the inclusion of PGEO's co-generation projects is key to the realization of these projects.

Secondly, electricity selling prices and demand are key deciding factors in determining whether a project is viable. Based on the latest renewable energy pricing mechanism under PP No.112/2022, the electricity selling price starts from US\$7.65 cents to US\$9.76 cents depending on the capacity, with smaller projects and rural areas benefiting from higher ASP due to the difficulties and higher costs associated with the construction of the projects.

Exhibit 4. Geothermal pricing mechanism (PP No.112/2022)

Electricity Purchase Price			
No.	Capacity	Highest Benchmark Price (cents US\$/kWh)	
		Year 1 to 10	Year 11 to 30
1	Up to 10MW	(9.76 x F)*	8.30
2	>10 MW up to 50 MW	(9.41 x F)*	8.00
3	>50 MW up to 100 MW	(8.64 x F)*	7.35
4	>100 MW	(7.65 x F)*	6.50

Note: The highest benchmark price refers to the price after being multiplied by factor F

Electricity Equivalent Geothermal Steam Purchase Price			
No.	Capacity	Geothermal Steam Purchase Price (cents US\$/kWh)	
		Year 1 to 10	Year 11 to 30
1	Up to 10MW	(6.60 x F)*	5.60
2	>10 MW up to 50 MW	(6.25 x F)*	5.31
3	>50 MW up to 100 MW	(5.48 x F)*	4.65
4	>100 MW	(4.48 x F)*	3.81

Note: The highest benchmark price refers to the price after being multiplied by factor F

Source: MoF, BRIDS

Exhibit 5. Multiplier factor based on location

No.	Area	Capacity (multiplier)
1	Jawa, Madura, Bali	1.00
	- Pulau Kecil	1.10
2	Sumatera	1.10
	- Kepulauan Riau	1.20
	- Mentawai	1.20
	- Bangka Belitung	1.10
	- Pulau Kecil	1.15
3	Kalimantan	1.10
	- Pulau Kecil	1.15
4	Sulawesi	1.10
	- Pulau Kecil	1.15
5	Nusa Tenggara	1.20
	- Pulau Kecil	1.25
6	Maluku Utara	1.25
	- Pulau Kecil	1.30
7	Maluku	1.25
	- Pulau Kecil	1.30
8	Papua Barat	1.50
9	Papua	1.50

Source: MoF, BRIDS

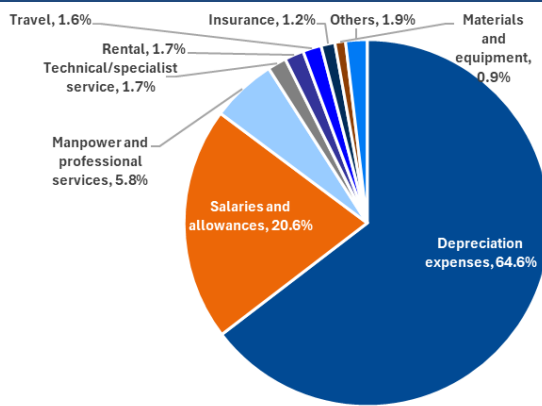
Thus, based on the planned project development of c.400MW (Exhibit 3), we can assume the ASP of these projects ranges from c.US\$9.8 cents for the first 10 years in operation, significantly higher than its 9M24 ASP of US\$8.2 cents, as all future sales are expected to be in electricity, while there should not be any steam sales aside from Hululais.

Earnings outlook

PGEO has guided an FY25 electricity generation of 4,930GWh, +2.12% yoy, higher than the FY24 production of 4,827GWh, as it considers the operation of Lumut Balai Unit 2. We assume electricity generation of 4,992GWh and 5,090GWh and ASP of US\$8.4 cents and US\$8.6 cents for FY25-26 and project +3.3%/+2.7% earnings growth in FY25-26F to US\$178mn/US\$183mn.

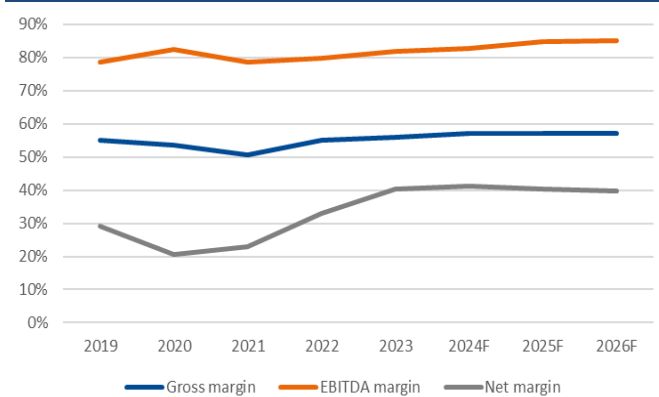
As for the profitability ratio, we assume a stronger Gross/EBITDA/Net margin of 57%/85%/40% (vs. 2019-2023 avg. of 54%/80%/29%) due to G&A efficiencies and assuming no asset revaluation. On the balance sheet side, we expect the company to start posting a net cash position in FY25, though it is likely that PGEO will add new loans to fund its greenfield projects in the long term. Nonetheless, we expect PGEO to record EBITDA of US\$374mn/US\$392mn in FY25-26F, which should suffice for smaller projects such as the co-generation project with PLN.

Exhibit 6. COGS breakdown 9M24



Source: Company, BRIDS

Exhibit 7. Gross/EBITDA/Net margin



Source: Company, BRIDS estimate

Valuation and rating

We resume coverage on PGEO with a Buy rating on its attractive EV/EBITDA valuation of 6.5x/5.9x in FY25-26F at the current price of Rp975/share, compared to its regional peers at 11.6x/10.9x. Furthermore, PGEO is also the 2nd largest geothermal operator, with feasible and robust growth trajectories from both green and brown fields in Indonesia. Its large-scale operation allows it to expand at a sizable capacity compared to smaller players, due to easier access to cheaper G2G green funding and decades of experience and operational excellence.

We arrive at a target price of Rp1,200/share based on an SOTP valuation of each producing asset (based on DCF). Our TP of Rp1,200 implies an EV/EBITDA of 8.6x/8.1x, which is a discount compared to its peers at 12.5x/11.2x. At the current share price of Rp975, PGEO's EV/EBITDA valuation stands at 6.5x.

Exhibit 8. PGEO's PE Band (2-year)



Source: Company, Bloomberg, BRIDS estimate

Exhibit 9. PGEO's EV/EBITDA Band (2-year)



Source: Company, Bloomberg, BRIDS estimate

Exhibit 10. SOTP valuation

NPV	USDmn	Valuation method
Kamojang	730	DCF
Lahendong	458	
Ulubelu	871	
Lumut Balai	626	
Hululais	354	
Total	3,040	
Net cash/(debt)	55	
Shares outstanding	41,396	
Target price	1,200	

Source: BRIDS estimate

Exhibit 11. PGEO peers comparable

Company Name	Ticker	Country	Market Cap (US\$mn)	P/E (x)		EV/EBITDA (x)		Gross Margin (%)		EBIT Margin (%)		Net Margin (%)		Beta
				2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F	2025F	2026F	
PERTAMINA GEOTHERMAL ENERGY	PGEO IJ Equity	IJ	2,490	15.1	14.7	7.0	6.7	56	57	55	56	40	41	n.a.
ORMAT TECHNOLOGIES INC	ORA US Equity	US	3,834	29.4	25.9	10.7	9.9	33	33	26	26	14	14	1.0
MERCURY NZ LTD	MCY NZ Equity	NZ	5,015	35.8	29.1	12.7	11.6	38	42	15	16	7	9	1.2
ABOITIZ POWER CORP	AP PM Equity	PM	4,816	8.4	8.1	8.1	8.3	38	40	19	21	17	18	0.7
ACEN CORP	ACEN PM Equity	PM	2,325	14.6	11.6	19.2	18.7	35	37	24	25	24	24	0.9
CONTACT ENERGY LTD	CEN NZ Equity	NZ	4,181	25.6	23.0	12.1	11.1	47	52	17	20	10	11	0.9
CHINA DATANG CORP RENEWABL-H	1798 HK Equity	HK	1,979	6.2	5.1	8.3	7.4	92	92	40	42	11	13	0.8
XINYI ENERGY HOLDINGS LTD	3868 HK Equity	HK	849	6.1	5.4	5.7	5.7	62	62	59	59	36	36	1.0
BCPG PCL	BCPG TB Equity	TB	586	16.9	12.1	16.5	14.8	44	45	62	61	29	32	1.4
Renewable peer average				17.9	15.0	11.6	10.9	49	50	33	34	19	20	1.0

Source: Bloomberg, BRIDS

Exhibit 12. Income Statement

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
Revenue	386	406	417	442	460
COGS	(173)	(179)	(179)	(190)	(198)
Gross profit	213	227	238	252	262
EBITDA	308	332	346	374	392
Oper. profit	201	222	232	246	256
Interest income	1	22	27	28	28
Interest expense	(15)	(24)	(23)	(22)	(20)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	7	21	17	10	5
Pre-tax profit	195	241	253	262	269
Income tax	(67)	(77)	(81)	(84)	(86)
Minority interest	0	0	0	0	0
Net profit	127	164	172	178	183
Core Net Profit	127	164	172	178	183

Exhibit 13. Balance Sheet

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	262	678	695	704	774
Receivables	126	142	150	157	163
Inventory	20	23	18	19	20
Other Curr. Asset	25	21	14	17	19
Fixed assets - Net	1,902	1,941	2,007	2,079	2,093
Other non-curr.asset	140	160	160	160	160
Total asset	2,475	2,964	3,043	3,135	3,229
ST Debt	616	16	15	15	15
Payables	163	108	110	114	118
Other Curr. Liabilities	79	120	120	120	120
Long Term Debt	328	713	673	633	633
Other LT. Liabilities	34	7	1	1	1
Total Liabilities	1,220	993	948	913	876
Shareholder's Funds	1,256	1,971	2,095	2,223	2,353
Minority interests	0	0	0	0	0
Total Equity & Liabilities	2,475	2,964	3,043	3,135	3,229

Exhibit 14. Cash Flow

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
Net income	127	164	172	178	183
Depreciation and Amort.	0	0	0	0	0
Change in Working Capital	0	0	0	0	0
Other Oper. Cash Flow	14	2	(4)	(6)	(8)
Operating Cash Flow	141	166	168	171	175
Capex	0	0	0	0	0
Others Inv. Cash Flow	1	22	27	28	28
Investing Cash Flow	1	22	27	28	28
Net change in debt	0	0	0	0	0
New Capital	0	0	0	0	0
Dividend payment	0	0	0	0	0
Other Fin. Cash Flow	(15)	(24)	(23)	(22)	(20)
Financing Cash Flow	(15)	(24)	(23)	(22)	(20)
Net Change in Cash	127	164	172	178	183
Cash - begin of the year	125	262	678	695	704
Cash - end of the year	262	678	695	704	774

Exhibit 15. Key Ratio

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Growth (%)					
Sales	4.7	5.2	2.7	5.9	4.3
EBITDA	6.2	7.9	4.0	8.2	4.7
Operating profit	10.6	10.3	4.6	5.8	4.2
Net profit	49.7	28.5	5.1	3.3	2.7
Profitability (%)					
Gross margin	55.1	55.9	57.0	57.0	57.0
EBITDA margin	79.8	81.8	82.9	84.7	85.1
Operating margin	52.1	54.6	55.6	55.6	55.6
Net margin	33.0	40.3	41.2	40.2	39.6
ROAA	5.2	6.0	5.7	5.8	5.7
ROAE	10.2	10.1	8.5	8.2	8.0
Leverage					
Net Gearing (x)	0.5	0.3	(0.0)	(0.3)	(0.7)
Interest Coverage (x)	13.6	9.2	10.1	11.4	12.7

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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