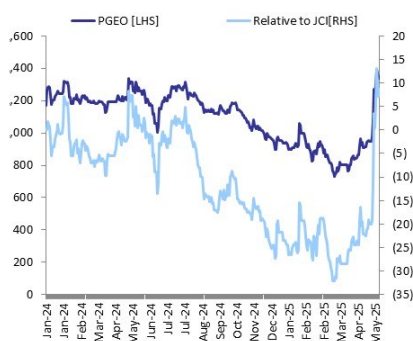


# Hold

(Downgraded)

Last Price (Rp)	1,350
Target Price (Rp)	1,250
Previous Target Price (Rp)	1,200
Upside/Downside	-7.4%
No. of Shares (mn)	31,046
Mkt Cap (Rpbn/US\$mn)	41,912/2,581
Avg, Daily T/O (Rpbn/US\$mn)	32.3/2.0
Free Float (%)	10.2
Major Shareholder (%)	
PT Pertamina Power Indonesia	69.3
Mitra Daya Mustika	15.0
EPS Consensus (US\$cents)	
	2025F 2026F 2027F
BRIDS	0.4 0.4 0.5
Consensus	0.4 0.4 0.5
BRIDS/Cons (%)	(5.4) 7.1 (6.8)

## PGEO relative to JCI Index



Source: Bloomberg

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## Pertamina Geothermal Energy (PGEO II) Delayed Commencement of Lumut Balai 2; Downgrade rating to Hold

- Lumut Balai unit 2's 55MW commencement will be delayed to Jul25.
- 2025-2034 RUPTL was announced with a capacity addition of 69.5GW, with a higher geothermal capacity of 5.2GW (vs. 3.4GW in 2021 RUPTL).
- Downgrading to a HOLD rating with a TP of Rp1,250 due to later than expected Lumut Balai COD and higher interest expense.

### Realizing capacity addition

Lumut Balai unit 2's 55MW commencement will be delayed to Jul25, which marks its first capacity addition since its IPO in 2023. Moving forward, PGEO will focus on its co-generation projects with PLN of 230MW, starting with phase 1 of 45MW (Ulubelu 30MW and Lahendong 15MW). Meanwhile, its project in Kenya is still ongoing, with an expected FID in 3Q25 for drilling to start in 4Q25. However, its capex allocation is still minimal at US\$13mn (vs. 2025 capex of US\$319mn).

### Growth prospects intact

PGEO's cost of funds is at a low rate of 3.75% and has a DER of 0.37x, which is well below the limit set by Pertamina of 1.0x. Thus, it has the capability to lever up another US\$1.3bn to support its capacity expansion that is divided into 3 types, which are quick win projects (395MW), extension (505MW), and green field (230MW). As the 2025-2034 RUPTL has been announced, PGEO and PLN IP should be able to proceed with its co-generation projects as the MEMR approved of 5.2GW of new capacity (vs. 3.4GW in 2021-2030 RUPTL).

### Announcement of RUPTL 2025-2034

MEMR announced a capacity addition of 69.5GW (vs. 40.6GW in RUPTL 2021) in the latest electricity supply business plan (RUPTL 2025) with a higher emphasis on renewables of 42.6GW or 61% (vs. 20.9GW or 52%). The 10-year plan will be divided into 2x5 years, with the 1<sup>st</sup> half focusing more on fossil fuel (45%) than renewables (44%) while the 2<sup>nd</sup> half focuses more on renewables (73%) rather than fossil fuel (10%). The ministry expects that the capacity addition will cost Rp2,134tr, which is mostly allocated for IPPs at 73% or Rp1,566tr.

### Downgrading to a Hold rating with a TP of Rp1,250

Following a 22% share price rally WoW, we downgraded our rating to HOLD with a TP of Rp1,250 based on a DCF valuation method on all projects. We believe the recent rally was driven by rumors of divestment, though it was not confirmed by the company. We lowered our FY25-26F revenue by -3.6%/-0.5% as we factor in lower Lumut Balai's capacity factor from the slight delay in COD, as well as increasing interest exp. from Lumut Balai that was previously capitalized, which resulted in a lower FY25-26 NP of -12.0%/-3.1% to US\$157mn/177mn. Our TP implies an EV/EBITDA of 9.3x/8.6, which is a discount compared to its peers at 12.7x/11.3x. PGEO has been discounted to its peers due to the lack of growth. Upside risk to our call: stronger ASP growth and early debt repayments; downside risks to our call are lower capacity factor and delays in the project timeline.

### Key Financials

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Revenue (US\$mn)	406	407	426	458	486
EBITDA (US\$mn)	332	324	354	382	408
Net Profit (US\$mn)	164	160	157	177	193
EPS (US\$cents)	0.4	0.4	0.4	0.4	0.5
BVPS (US\$cents)	4.8	4.9	5.1	5.4	5.8
PER (x)	21.0	21.4	22.0	19.4	17.8
PBV (x)	1.7	1.7	1.6	1.5	1.4
EV/EBITDA	10.5	10.9	9.9	8.8	7.8

Source: PGEO, BRIDS Estimates

Exhibit 1. PGEO's Forecast changes

PGEO (US\$mn)	2025F			2026F			2027F	
	Old	New	Change	Old	New	Change	New	Change
Revenue	442	426	-3.6%	460	458	-0.5%	486	
Gross margin	57.0%	61.1%		57.0%	61.1%		61.1%	
EBITDA	374	354	-5.3%	392	382	-2.6%	408	
EBITDA margin	84.6%	83.1%		85.2%	83.4%		84.0%	
Net profit	178	157	-12.0%	183	177	-3.1%	193	
Net margin	40.3%	36.8%		39.8%	38.7%		39.7%	

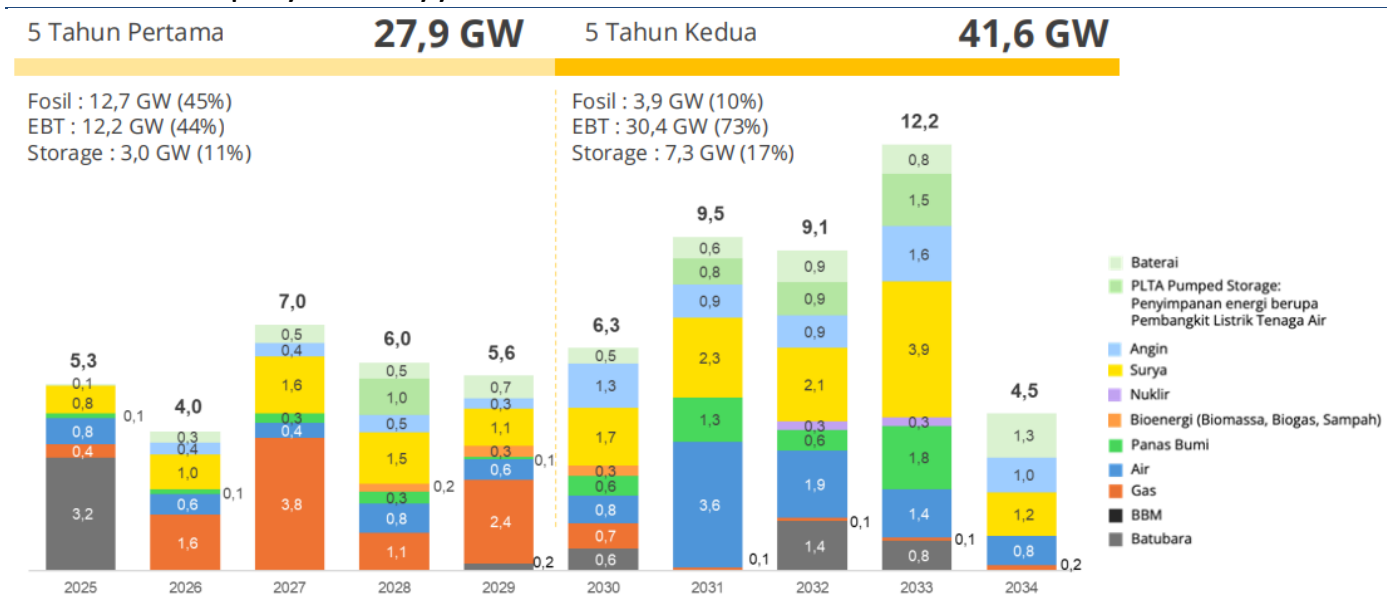
Source: BRIDS Estimates

Exhibit 2. PGEO's Capacity addition RUPTL 2025-2034

Renewable			%	Storage			%	Fossil			%
Solar	17.1 GW		25%	Battery	6.0 GW		9%	Gas	10.3 GW		15%
Hydro	11.7 GW		17%	Hydro pumped storage	4.3 GW		6%	Coal	6.3 GW		9%
Wind	7.2 GW		10%								
Geothermal	5.2 GW		7%								
Bioenergy	0.9 GW		1%								
Nuclear	0.5 GW		1%								

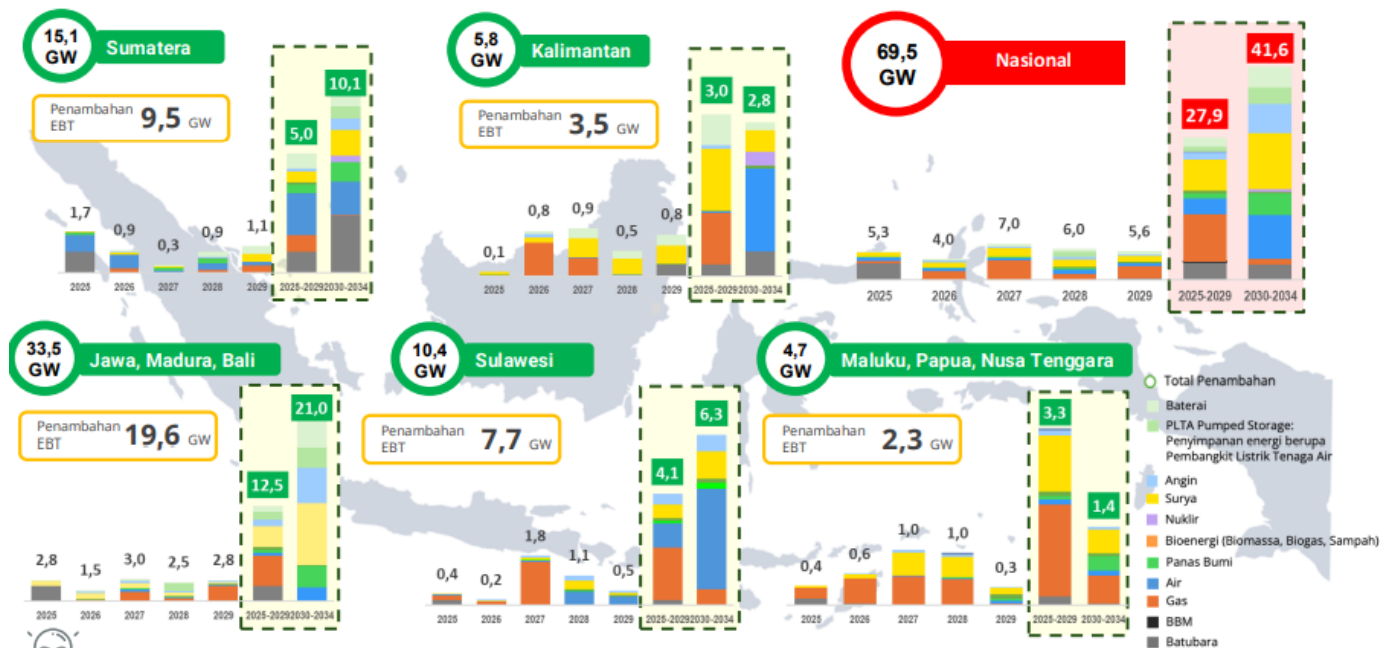
Source: MEMR, BRIDS

Exhibit 3. PGEO's Capacity addition by year



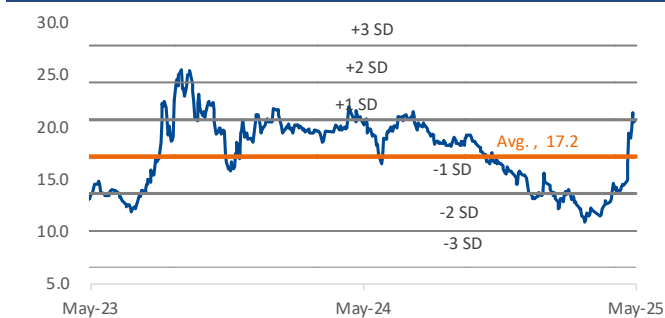
Source: MEMR

Exhibit 4. PGEO's Capacity addition by island



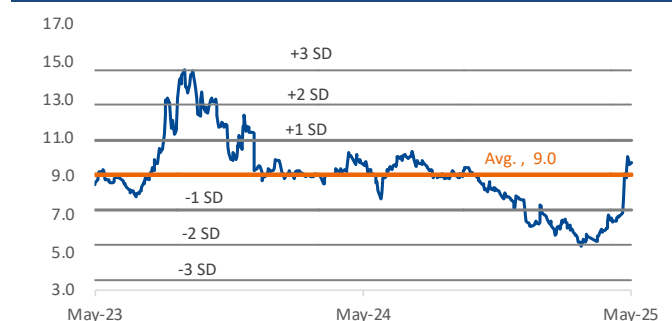
Source: MEMR

Exhibit 5. PGEO's PE Band (2-year)



Source: Bloomberg, BRIDS Estimates

Exhibit 6. PGEO's EV/EBITDA Band (2-year)



Source: Bloomberg, BRIDS Estimates

Exhibit 7. Peers comparable

Date	26-May-25	Company	Mkt.Cap (US\$ mn.)	PE		PB		ROA		ROE		EV/EBITDA	
				25F	26F	25F	26F	25F	26F	25F	26F	25F	26F
PGEO IJ	PGEO IJ Equity	PERTAMINA GEOTHERMAL ENERGY	3,446	22.0	19.4	1.6	1.5	5.1	5.6	7.6	8.1	9.9	8.8
ORA US	ORA US Equity	ORMAT TECHNOLOGIES INC	4,339	33.7	29.6	1.7	1.6	2.2	5.0	5.1	9.8	11.9	10.7
MCY NZ	MCY NZ Equity	MERCURY NZ LTD	5,094	39.1	26.7	1.8	1.8	3.1	5.1	4.7	6.6	13.7	11.4
AP PM	AP PM Equity	ABOITIZ POWER CORP	4,617	7.5	7.0	1.1	1.0	6.9	7.0	15.2	14.7	8.2	6.8
ACEN PM	ACEN PM Equity	ACEN CORP	1,790	12.9	10.9	0.6	0.6	2.1	2.4	5.1	6.2	19.4	17.4
CEN NZ	CEN NZ Equity	CONTACT ENERGY LTD	4,420	28.9	23.5	2.8	2.2	6.0	6.1	9.2	10.7	12.4	10.9
1798 HK	1798 HK Equity	CHINA DATANG CORP RENEWABL-H	2,144	6.9	6.1	0.7	0.7	1.8	1.9	7.9	10.1	9.3	8.9
3868 HK	3868 HK Equity	XINYI ENERGY HOLDINGS LTD	1,026	8.8	8.1	0.6	0.6	4.1	4.3	7.2	7.5	6.0	5.7
BCPG TB	BCPG TB Equity	BCPG PCL	634	14.6	10.7	0.7	0.6	1.9	1.5	4.6	6.1	21.1	17.6
Average.				19.1	15.3	1.2	1.1	3.5	4.2	7.4	9.0	12.7	11.2

Source: Bloomberg, BRIDS Estimates

Exhibit 8. PGEO's SOTP Valuation

NPV	USDmn	Valuation method
Kamojang	785	DCF
Lahendong	286	
Ulubelu	879	
Lumut Balai	556	
Hululais	319	
<b>Total</b>	<b>2,824</b>	

Source: BRIDS Estimates

**Exhibit 9. Income Statement**

Year to 31 Dec (US\$mn)	2023A	2024A	2025F	2026F	2027F
<b>Revenue</b>	<b>406</b>	<b>407</b>	<b>426</b>	<b>458</b>	<b>486</b>
COGS	(158)	(165)	(166)	(178)	(189)
<b>Gross profit</b>	<b>248</b>	<b>242</b>	<b>260</b>	<b>280</b>	<b>297</b>
<b>EBITDA</b>	<b>332</b>	<b>324</b>	<b>354</b>	<b>382</b>	<b>408</b>
<b>Oper. profit</b>	<b>222</b>	<b>211</b>	<b>227</b>	<b>244</b>	<b>259</b>
Interest income	22	34	34	36	41
Interest expense	(24)	(32)	(28)	(28)	(26)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	21	16	(10)	0	0
<b>Pre-tax profit</b>	<b>241</b>	<b>228</b>	<b>223</b>	<b>252</b>	<b>274</b>
Income tax	(77)	(68)	(66)	(75)	(82)
Minority interest	0	0	0	0	0
<b>Net profit</b>	<b>164</b>	<b>160</b>	<b>157</b>	<b>177</b>	<b>193</b>
<b>Core Net Profit</b>	<b>164</b>	<b>160</b>	<b>157</b>	<b>177</b>	<b>193</b>

**Exhibit 10. Balance Sheet**

Year to 31 Dec (US\$mn)	2023A	2024A	2025F	2026F	2027F
Cash & cash equivalent	678	655	694	806	951
Receivables	142	132	143	153	162
Inventory	23	18	21	22	24
Other Curr. Asset	21	22	19	22	21
Fixed assets - Net	1,941	2,025	2,097	2,110	2,062
Other non-curr.asset	160	144	144	144	144
<b>Total asset</b>	<b>2,964</b>	<b>2,997</b>	<b>3,119</b>	<b>3,257</b>	<b>3,363</b>
ST Debt	16	15	15	15	15
Payables	108	107	120	127	133
Other Curr. Liabilities	120	105	105	105	105
Long Term Debt	713	727	727	727	687
Other LT. Liabilities	35	35	33	33	33
<b>Total Liabilities</b>	<b>993</b>	<b>989</b>	<b>1,000</b>	<b>1,007</b>	<b>973</b>
Shareholder's Funds	1,971	2,009	2,119	2,250	2,391
Minority interests	0	0	0	0	0
<b>Total Equity &amp; Liabilities</b>	<b>2,964</b>	<b>2,997</b>	<b>3,119</b>	<b>3,257</b>	<b>3,363</b>

**Exhibit 11. Cash Flow**

Year to 31 Dec (US\$mn)	2023A	2024A	2025F	2026F	2027F
Net income	164	160	157	177	193
Depreciation and Amort.	111	113	127	137	148
Change in Working Capital	1	27	(19)	(5)	(4)
Other Oper. Cash Flow	(48)	(16)	22	(3)	0
<b>Operating Cash Flow</b>	<b>228</b>	<b>284</b>	<b>286</b>	<b>307</b>	<b>337</b>
Capex	(148)	(195)	(200)	(150)	(100)
Others Inv. Cash Flow	0	0	0	0	0
<b>Investing Cash Flow</b>	<b>(148)</b>	<b>(195)</b>	<b>(200)</b>	<b>(150)</b>	<b>(100)</b>
Net change in debt	(214)	13	0	0	(40)
New Capital	582	4	0	0	0
Dividend payment	(30)	(128)	(48)	(47)	(53)
Other Fin. Cash Flow	0	2	1	1	1
<b>Financing Cash Flow</b>	<b>338</b>	<b>(110)</b>	<b>(47)</b>	<b>(46)</b>	<b>(92)</b>
<b>Net Change in Cash</b>	<b>418</b>	<b>(21)</b>	<b>39</b>	<b>111</b>	<b>145</b>
Cash - begin of the year	262	678	655	694	806
Cash - end of the year	678	655	694	806	951

**Exhibit 12. Key Ratio**

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
<b>Growth (%)</b>					
Sales	5.2	0.2	4.7	7.5	6.1
EBITDA	7.9	(2.5)	9.3	7.8	6.8
Operating profit	10.3	(5.0)	7.6	7.8	6.1
Net profit	28.5	(1.9)	(2.4)	13.3	8.8
<b>Profitability (%)</b>					
Gross margin	61.0	59.5	61.1	61.1	61.1
EBITDA margin	81.8	79.6	83.1	83.4	84.0
Operating margin	54.6	51.8	53.2	53.4	53.4
Net margin	40.3	39.4	36.8	38.7	39.7
ROAA	6.0	5.4	5.1	5.6	5.8
ROAE	10.1	8.1	7.6	8.1	8.3
<b>Leverage</b>					
Net Gearing (x)	0.0	0.0	0.0	0.0	(0.1)
Interest Coverage (x)	9.2	6.6	8.2	8.8	9.9

Source: PGEO, BRIDS Estimates

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**INVESTMENT RATING**

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

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