Slump is Temporary, Class is Permanent

23 July 2026

We initiate coverage on PGAS with a BUY and a DCF-based TP of IDR 2,000/share (+28.5% upside). As Indonesia's undisputed natural gas gatekeeper—controlling over 90% of the domestic commercial market and 95% of national infrastructure—the company boasts a highly resilient, integrated business model, evidenced by a strong 1Q26 net profit of USD 90.4mn (+46% YoY/+501.7% QoQ) driven by strong distribution spreads of ~USD2.0/mmbtu, despite relatively lower gas trading volume of 777 BBTUD. Albeit FY26F near-term profitability could face challenges due to the government's proposed USD 13/MMBtu industrial gas price cap and elevated global LNG volatility, we still believe the risks are largely priced in and will be buffered by upstream-downstream cost-sharing agreements. Supported by a robust net cash position, generous dividend payout ratio, and an attractive valuation at 10.1x FY26F P/E (vs 12.5x P/E sector average), we view the current share price at IDR1,550 (7.8x FY26F P/E) is a good entry point for investors.

Indonesia's dominant gas gatekeeper

Perusahaan Gas Negara (PGAS) is the nation's largest natural gas transmission and distribution company. Its integrated value chain spans upstream lifting (Saka Energi), midstream transmission, and downstream trading across 18 provinces. This network relies on >33,000 km of pipelines and two LNG regasification facilities. In 1Q26, in which the company generated USD90.4 bn in net profit (+45.8% YoY/+501.7% QoQ), gas trading & transmission drove ~76% of PGAS' USD930 mn consolidated revenue, while other business lines, including oil transportation and LPG processing, provided diversified income. For FY26F, PGAS allocated a USD353 mn capex budget, primarily for strategic projects like the 96 km Cikampek-Plumpang oil pipeline (Q3 '27) and the Pagardewa biomethane injection point (Q2 '26).

USD 13/mmbtu price cap: It's not as impactful as feared

Middle East geopolitical tensions caused global energy shortages, driving oil >USD100/bbl in early 2026. Consequently, LNG-sourced non-HGBT gas prices—which utilize the Indonesian Crude Price (ICP) component—surged to ~USD 20-21/MMBtu in Jun '26, sparking protests from industrial offtakers and mass layoff threats. In response, the Ministry of ESDM announced a temporary price cap, reducing LNG-linked gas prices to USD 13/MMBtu until 31 Dec '26. Although this stoked investor fears—dropping PGAS' share price by up to ~11% in the days following the announcement—we believe the impact will not be as severe as feared. Discussions with management reveal the margin compression will be shared between upstream and downstream segments. Also, the cap has not yet been enacted, pending official regulations. Factoring in these dynamics, as well as the relatively low portion of LNG-linked gas in PGAS' gas trading mix (1Q26: 21%) we set the cap-affected gas trading margin forecast for PGAS at ~USD1.7/mmbtu, well within management's USD1.65-1.85/mmbtu guidance.

Financial outlook: FY26F pressures and FY27F recovery

In FY26F, we project PGAS' top line to grow to USD4.2 bn (+5.8% YoY) on the back of higher ASP amid higher gas prices. However, gross and EBIT margins may decline to 15.5% (from 17.6% in FY25) and EBIT margins to contract to 10.9% (from 13.3%), primarily due to the anticipated price cap and softer demand. On the bottom line, we forecast a +25.9% YoY jump in net profit to USD271 mn, implying an EPS of IDR 198/share (vs. IDR 146/share in FY25). However, this bottom-line growth stems largely from a low-base effect following the USD99.5 mn asset impairment on the South Sesulu block in 4Q25. Looking to FY27F, we anticipate a robust recovery as the price cap expires and demand normalizes. We forecast FY27F revenue at USD4.38 bn (+4.2% YoY), with recovering gross and EBIT margins of 15.9% and 11.1%. The bottom line is projected to reach USD283 mn (+4.4% YoY), yielding an EPS of IDR 207/share.

Initiate BUY

We initiate coverage on PGAS with a BUY rating and a DCF-based TP of IDR2,000/share (+28.5% upside), Despite near-term pressures, PGAS' investment thesis remains highly attractive. At our TP, the stock trades at an implied FY26F PE of 10.1x (current level: 7.8x FY26F PE), a discount to the sector average of 12.5x PE. Furthermore, the company benefits from a robust net cash position (~USD590 mn in FY25), healthy leverage, and a consistently high dividend payout ratio (three-year average: 84.2%). This combination of a discounted valuation, a solid balance sheet, and attractive dividend yields makes PGAS a compelling investment. Key upside catalysts include: a) favourable cost-sharing outcome for the price cap, b) recovering industrial gas demand, and c) normalizing global LNG prices. Downside risks centers on a) faster-than-expected declines at legacy gas fields, b) weaker volume recovery, and c) prolonged price volatility.

Exhibit 1: Key Statistics

Year end Dec	2024A	2025A	2026F	2027F	2028F
Revenue (USD mn)	3,789	3,976	4,208	4,385	4,544
EBITDA (USD mn)	924	837	771	797	877
Net profit (USD mn)	339	215	271	283	319
EPS (IDR)	220	146	198	207	233
ROE (%)	12.0	7.9	9.7	10.0	11.1
ROA (%)	5.3	3.5	4.2	4.3	4.7
PER (x)	7.3	11.1	7.8	7.5	6.6
Net gearing (x)	11.5	16.9	14.2	16.6	18.7

Source: Company, KBVS Research

PGAS IJ	Initiation
Sector	Energy
Price at 23 July 2026 (IDR)	1,550
Price target (IDR)	2,000
Upside/Downside (%)	29.0

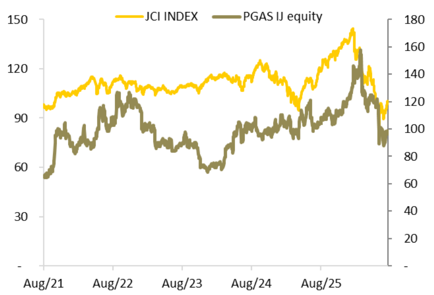
Stock Information

Perusahaan Gas Negara (PGAS) is Indonesia's leading integrated natural gas company, serving as the core transmission and distribution platform for the nation's natural gas market. The company operates extensive pipeline networks and city-gas systems across key industrial and population centers

Market cap (IDR bn)	37,211
Shares outstanding (mn)	24,242
52-week range (IDR)	1,350-2,520
3M average daily vol. ('000)	35,985
3M average daily val. (IDR mn)	58,362

Shareholders (%)	
Pertamina (Persero)	56,9
Public (<5%)	43.1

Stock Performance



Source: Bloomberg

	1M	3M	12M
Performance (%)	0.6	(19.8)	(3.4)

Analyst

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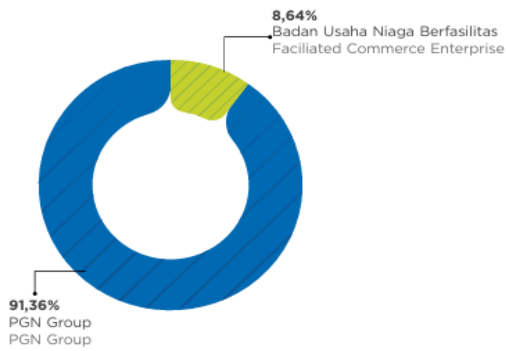
Company Overview

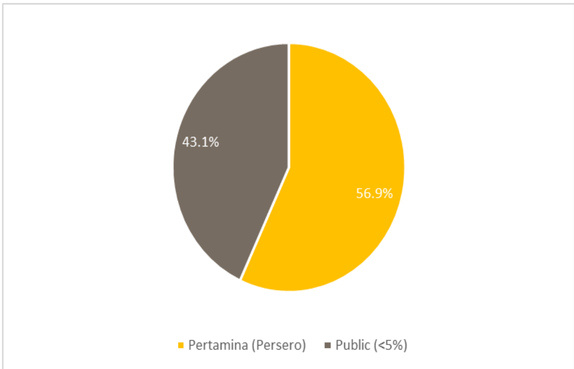
Perusahaan Gas Negara (PGAS) is Indonesia's largest natural gas transmission and distribution company and serves as the Subholding Gas of PT Pertamina (Persero), operating primarily in the midstream and downstream gas value chain. The group controls the overwhelming majority of the domestic gas trading and transmission market, with >90% share in Indonesia's commercial gas trading and roughly 95% of national gas infrastructure, underpinning gas supply to industrial, commercial, power and household customers across the archipelago. PGAS traces its origins to a Dutch private gas company in 1859 and was established as Perusahaan Negara Gas, a state-owned gas utility, on 13 May '65 under Government Regulation No. 19/1965, before its conversion into a limited liability company and listing on the Indonesia Stock Exchange (formerly the Jakarta and Surabaya Stock Exchanges) on 15 Dec '03. In 2018, PGAS became the designated Gas Subholding of PT Pertamina (Persero) through the transfer of the Government's shares to Pertamina as part of the Oil & Gas SOE Holding formation, alongside the acquisition of a 51% stake in PT Pertamina Gas (Pertagas). The Government of Indonesia remains ultimate controlling shareholder — both indirectly through wholly state-owned Pertamina and directly via one non-transferable Series A Dwiwarna share carrying special governance rights over key corporate actions. On 29 Dec '25, PGAS' AGMS approved renaming the entity from PT Perusahaan Gas Negara Tbk to PT Perusahaan Gas Negara (Persero) Tbk, effective 29 Jan '26.

Exhibit 2. PGAS' Commercial Market Share (FY25)



Source: Company

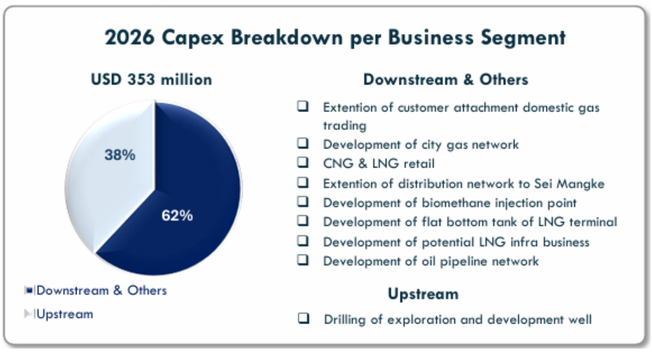
Exhibit 3. PGAS' Shareholder Structure



Source: Company, KBVS Research

PGAS operates an integrated gas value chain spanning upstream, midstream and downstream activities, supported by a diversified portfolio of subsidiaries and joint ventures. Upstream exposure is primarily through PT Saka Energi Indonesia and its portfolio of domestic and international oil and gas blocks, which contribute to PGAS' oil and gas lifting volumes and help enhance security of supply. In midstream, PGAS owns and operates gas transmission pipelines, LNG regasification facilities (FSRU and onshore terminals), and oil and LPG transportation infrastructure, enabling the evacuation of supply from domestic upstream producers and LNG terminals to demand centres. Downstream operations encompass gas trading and distribution to end-users via pipelines and beyond-pipeline solutions (CNG, LNG trucking, virtual pipelines, city gas networks), positioning PGAS as the aggregator that purchases gas from multiple sources and delivers it to industrial, power, commercial, transportation and household customers. To support its operations, PGAS relies on an extensive network of 33.6 thousand km of pipelines — 13.2 thousand km of gas transmission and distribution lines, 0.6 thousand km of oil pipelines, and roughly 19.7 thousand km of city gas pipelines — complemented by two LNG floating storage regasification units, one land-based regasification terminal, LPG processing facilities, and CNG/VGL/MRU infrastructure enabling both pipeline and beyond-pipeline delivery. Capital allocation in FY26F reflects this same three-tier structure. PGAS has budgeted USD353mn in capex for the year, weighted toward downstream and midstream expansion — including city gas network extensions, customer attachment pipelines, CNG/LNG retail infrastructure, the Cikampek-Plumpang oil pipeline, LNG storage tanks, and biomethane injection points — alongside selective upstream investment in exploration and development wells.

Exhibit 4. PGAS' FY26 Capex Breakdown



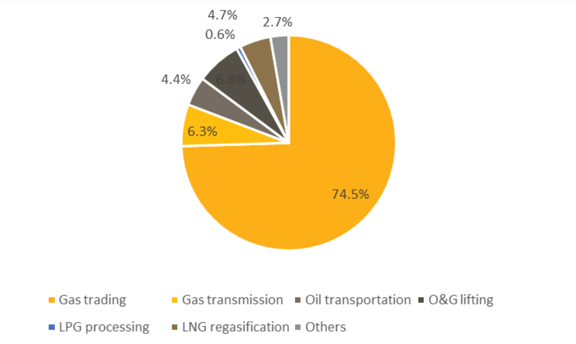
Source: Company

Exhibit 5. PGAS' Infrastructure Map

Source: Company

PGAS' core revenue is generated by gas trading and transmission, supplemented by contributions from oil transportation, oil and gas lifting, LPG processing and LNG regasification services. In FY25, gas trading and transmission accounted for ~76% of the company's consolidated revenue of USD3.97 bn, while ancillary businesses such as oil transportation, LPG processing and LNG regasification provided additional, fee-based income streams and diversified earnings. The customer portfolio is anchored by industrial users and power plants, complemented by commercial clients, transportation fuel users and a growing base of small businesses and households connected through city gas networks. PGAS' presence spans at least 18 provinces and more than 70 regencies/cities, making it the principal provider of piped natural gas and related services in Indonesia and a key enabler of fuel switching from oil and coal to cleaner gas.

Exhibit 6. PGAS' Revenue Breakdown (FY25)



To strengthen the role of natural gas in the national energy mix and support the transition into lower-emission energy, PGN (PGAS) has established a strategic pathway centered around three integrated pillars known as Grow, Adapt, and Step-out (GAS). The Grow pillar is designed to fortify and grow the core national gas franchise by increasing trading volumes, optimizing infrastructure utilization, and expanding the city gas network to drive national LPG import substitution. This pillar also encompasses the optimization of upstream production assets and the development of critical midstream infrastructure, such as the Cikampek–Plumpang fuel transmission pipeline. Under the Adapt pillar, the company scales new growth engines by pursuing adjacent opportunities and diversifying its portfolio into global LNG trading, marine LNG bunkering, and domestic upstream LNG infrastructure. Furthermore, this pillar includes providing integrated "Total Solutions Energy Services" through subsidiaries, covering end-to-end services such as Engineering, Procurement, and Construction (EPC), operations and maintenance (O&M), and digital solutions. Finally, the Step-out pillar focuses on preparing for future business development and building a low-carbon business platform through the development of biomethane as a renewable natural gas, the exploration of gas derivatives like blue hydrogen and ammonia, and the construction of CCS/CCUS infrastructure. These three strategic pillars operate as a reinforcing system to ensure corporate resilience and support Indonesia's Net Zero Emission target by 2060.

Exhibit 7. Board of Directors and Commissioners

Board of Directors		
	Position	About
Arief Kurnia Risdianto	President Director	Arief holds a Law degree from Universitas Padjadjaran and a master's in Maritime Engineering from the World Maritime University, Sweden. He built his career in Pertamina, including senior roles in shipping and logistics, before joining PGAS as Risk Management Director in 2024 and becoming President Director in 2025
Catur Dermawan	Finance Director	Catur has extensive finance experience in the Pertamina Group, covering corporate finance, treasury, budgeting, and financial planning. He has held senior roles overseeing capital management, financial governance, and corporate strategy across various Pertamina entities. He was appointed Finance Director of PGAS in 2025

Aldiansyah Idham	Commercial Director	Aldiansyah developed his career within the Pertamina Group, focusing on natural gas commercialization, business development, and customer management. He has led gas marketing initiatives, commercial negotiations, and downstream business expansion. He was appointed Commercial Director of PGAS in 2025, overseeing commercial strategy and natural gas marketing.
Mirza Mahendra	Strategy & Business Development Director	Mirza has extensive experience in Indonesia's energy sector, particularly in oil and gas policy, strategic planning, and business development. He previously served as Director of Oil & Gas Business Development at the Ministry of Energy and Mineral Resources. He was appointed Strategy & Business Development Director of PGAS in 2025.
Hery Murahmanta	Infrastructure & Technology Director	Hery has spent much of his career in Indonesia's energy industry, specializing in engineering, pipeline infrastructure, and gas transmission systems. He has contributed to the development, operation, and optimization of natural gas infrastructure supporting the downstream sector. He was appointed Infrastructure & Technology Director of PGAS in 2025.
Eri Surya Kelana	Risk Management Director	Eri has extensive experience in enterprise risk management, governance, compliance, and internal control within Indonesia's energy industry. He has led implementation of governance and risk frameworks that support operational resilience and sustainable growth across the Pertamina Group. He was appointed Risk Management Director of PGAS in 2025.

Rachmat Hutama	Human Resources & Business Support Director	Rachmat built his career in the Pertamina Group, specializing in human capital management, organizational transformation, and corporate support. He has held leadership roles overseeing talent development, workforce planning, and organizational effectiveness. He joined PGAS as Human Resources & Business Support Director in 2024 and retained his role after the 2025 restructuring.

Board of Commissioners	Position	About
Tony Setia Boedi Hoesodo	President & Independent Commissioner	Tony holds degrees in Public Administration, Human Resource Management, and National Resilience. He had a long career in the Indonesian Army, including senior commands and roles at Lemhannas, followed by positions in defense industry and KONI. He became President Commissioner and Independent Commissioner of PGAS in 2025 and holds an honorary Lieutenant General rank.
Edward Omar Sharif Hiariej	Commissioner	Edward earned bachelor's, master's, and doctoral degrees in Law from Universitas Gadjah Mada. He is a Professor of Criminal Law and has contributed to legal reform as a scholar, researcher, and government advisor. He served as Deputy Minister of Law in 2024 before becoming Commissioner of PGAS in 2025.
Rambe Kamaruzzaman	Commissioner	Rambe has a distinguished career in the public and private sectors. He served multiple terms in Indonesia's House of Representatives (DPR RI) and held senior roles in the Golkar Party. He has also contributed to business and community organizations, focusing on governance and stakeholder engagement. He was appointed Commissioner of PGAS in 2025.
Thanon Aria Dewangga	Commissioner	Thanon has built his career in the Indonesian government, specializing in public administration and institutional governance. He has held leadership positions in the Cabinet Secretariat and serves as Deputy for Administration, overseeing administrative management and organizational governance. He was appointed Commissioner of PGAS in 2025.
Conny Lolyta Rumondor	Independent Commissioner	Conny has extensive experience in organizational leadership, public affairs, and institutional governance. She has held leadership roles across public and private organizations, focusing on organizational development, stakeholder relations, and governance. She was appointed Independent Commissioner of PGAS in 2025, strengthening corporate governance and independent oversight.
Widjono Hardjanto	Independent Commissioner	Widjono has broad experience in corporate governance, strategic management, and organizational leadership. He has held executive and advisory roles across various organizations, contributing to business strategy and institutional development. He was appointed Independent Commissioner of PGAS in 2025 to support the company's supervisory and governance functions.

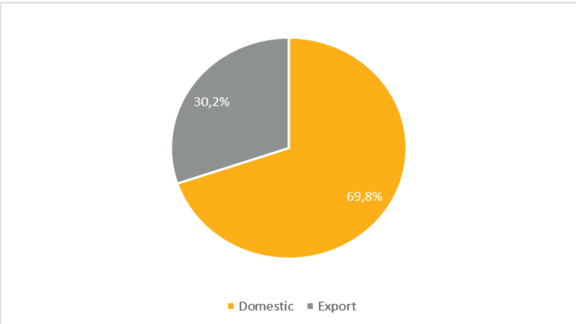
Source: Company, KBVS Research

Industry Overview

Global LNG demand is estimated to reach approximately 430.0 mn metric tons in 2026, growing just 0.5% year-on-year — a sharp deceleration from the 5.4% growth recorded in 2025 — before rebounding to an estimated 483.9 mn tons (+12.5%) in 2027, according to Bloomberg Intelligence. This slowdown is driven primarily by the Iran conflict and Strait of Hormuz disruptions, which have curtailed Qatari export capacity by an estimated 43% to roughly 46 mn tons, with about 17% of Qatar's liquefaction capacity damaged and expected to remain offline for multiple years. Asian LNG demand specifically is projected to contract by approximately 2.2% in 2026 to 264.9 mn tons, as elevated prices push some price-sensitive buyers toward coal, before an estimated 13.2% rebound in 2027 to 300.1 mn tons, contingent on the tentative US-Iran peace framework holding and Qatari output normalizing. This global supply squeeze has sustained elevated spot LNG prices across the Asia-Pacific basin throughout 2026, directly shaping the replacement cost economics that domestic Indonesian gas distributors, including PGAS, must contend with.

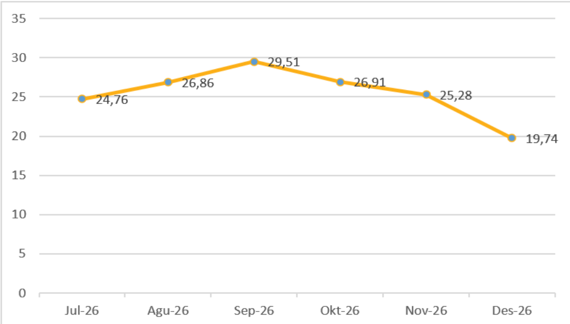
Meanwhile, Indonesia's domestic gas market is undergoing a structural transition from a historically export-oriented system toward one increasingly reliant on imported LNG to meet local demand. While the country remains a gas producer and exporter, mature gas fields in Western Java — home to the bulk of the nation's manufacturing base — have seen sustained production declines, forcing utilities to redirect supply from Papua, Sulawesi, and Kalimantan via LNG carriers, at meaningfully higher logistics and regasification cost than legacy piped gas. This has made Indonesia's tiered domestic pricing framework increasingly consequential for downstream operators such as PGAS. Under the Harga Gas Bumi Tertentu (HGBT) programme, seven designated industrial sectors — including fertilizer, petrochemicals, and oleochemicals — continue to receive gas at a regulated USD6.5-7.0/mmbtu, a level the government has held unchanged throughout the recent price intervention. Outside this programme, standard piped non-HGBT gas in Java has held comparatively steady at around USD9.6/mmbtu, while LNG-linked non-HGBT supply — the marginal source filling the domestic shortfall — saw effective prices for some industrial users climb toward USD20-23/mmbtu, more than double the piped non-HGBT level. Compounding the situation, a shortfall in HGBT gas supply meant PGAS could only cover approximately 27.5% of the initial HGBT allocation for FY26, affected customers onto the much more expensive LNG-linked supply. This condition sparked a wave of protests from industrial offtakers, and even threats of mass layoffs.

Exhibit 8: Indonesia Gas Sales Allocation (FY25)



Source: Katadata, KBVS Research

Exhibit 9: Indonesia's Monthly LNG Demand (Mn Cubic Meters/Day)



Source: Bloomberg, KBVS Research

The USD13/mmbtu price cap: mechanics and PGAS-specific implications

On 29 Jun '26, Minister of Energy and Mineral Resources Bahlil Lahadalia announced — on the direct instruction of President Prabowo Subianto — a cap on LNG-linked non-HGBT industrial gas prices at USD13/mmbtu, down from the USD20-23/mmbtu range cited by the government itself, following escalating warnings from labor unions over potential mass layoffs tied to industrial energy costs. Critically, Directorate General of Oil and Gas officials have confirmed the cap is scheduled to apply only through 31 Dec '26, subject to periodic evaluation on an annual basis — meaning the mechanism's continuation beyond FY26F is not guaranteed and could be revised, extended, or allowed to lapse depending on the government's year-end review. On the burden-sharing mechanism itself, the government has structured cost absorption across three parties — upstream Cooperation Contract Contractors (KKKS), state gas utility PGN (PGAS), and the government's own revenue take — though separate government statements asserting that non-tax state revenue (PNBP) from upstream oil and gas will not be reduced by the policy suggest the practical burden may fall disproportionately on KKKS margins and PGN's downstream efficiency, rather than being evenly distributed as initially framed.

Company feedback: a more contained margin impact than the headline intervention suggests

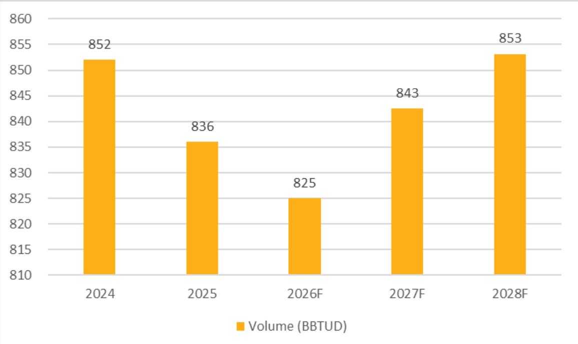
Despite the policy's broader urgency, our discussion with the company points to a narrower near-term impact on PGAS than the headline intervention might imply, for three reasons. First, the cap has not yet been implemented in practice, as PGAS is awaiting formal implementing regulation before adjusting customer pricing, though it has already notified customers of the pending policy. Second, management expects the government and upstream parties to absorb the majority of the cost impact. Third, while LNG-linked portion is expanding, the majority of PGAS' gas distribution volume still comes from piped gas (79% in 1Q26), limiting the cap's blended effect. Our calculation indicates the cap may reduce PGAS' blended gas distribution margin by USD0.1-0.4/mmbtu, depending on the share of the cap's cost burden PGAS ultimately absorbs. Weighing these considerations, we set our cap-affected gas trading margin forecast for PGAS at ~USD1.7/mmbtu, well within management's USD1.65-1.85/mmbtu guidance.

Operational Overview

In FY25, PGAS' operating numbers were relatively mixed. Gas trading – the company's largest revenue contributor – posted 836 BBTUD in volume in FY25 (-1.9% YoY), primarily due to lower supply and decline in demand amid macroeconomic uncertainty. The same story happened with its second-largest contributor – oil & gas lifting, whose volume dropped -13.3% to 6.41 MMBOE (-13.3%) due to natural decline in its sources. However, its third-largest segment, gas transmission, actually recorded higher transmission volume at 1,609 MMSCFD (+4.9% YoY), mainly thanks to higher customer absoption and >230km in new pipeline. Some of the company's business lines also showed positive growth in operational numbers, including LNG regasification (+64.4% YoY) and fibre optic (+7.2% YoY). Meanwhile, 1Q26 results were affected by decline in demand amid price volatility: Gas trading volume registered 777 BBTUD and gas transmission 1,539 MMSCFD, both down YoY (from 861 BBTUD and 1,602 MMSCFD in 1Q25) and tracking below FY26 management guidance of 877 BBTUD and 1,620 MMSCFD respectively.

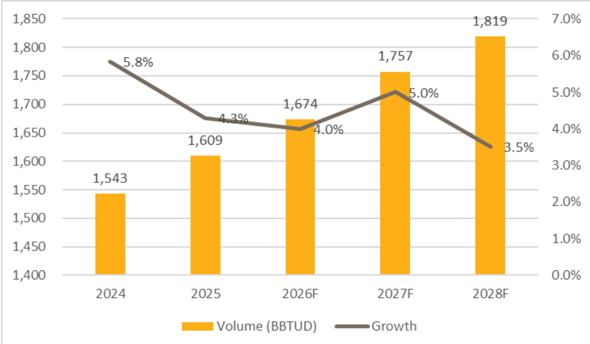
Looking ahead, we expect PGAS' near-term operational trajectory to be affected by price volatility and policy dynamics. We project gas trading volume to reach 825 BBTUD (-1.3% YoY), as we expect the aforementioned price cap (once implemented) to help lift purchasing power of customers and offset the major drop reported in the earlier part of the year, before reaching 843 BBTUD (+2.1% YoY) FY27F. For oil and gas lifting, we project more slips in volume to 5.92 MMBOE (-7.7% YoY) and 5.47 MMBOE in FY26F/27F. Meamwhile, for the gas transmission segment, we expect to see positive growth to 1,674 MMSCFD (+4.0% YoY) in FY26F and 1,757 MMSCFD in FY27F (+5.0% YoY), thanks in part to the 242km Cirebon-Semarang II (Cisem II) pipeline, which achieved full commissioning in June 2026 and began commercial gas sale-purchase agreements with industrial customers the same month.

Exhibit 10. PGAS' Gas Trading Volume 2024-2028F



Source: Company, KBVS Research

Exhibit 11. PGAS' Gas Transmission Volume 2024-2028F



Source: Company, KBVS Research

Financial Highlights

PGAS closed FY25 with revenue of USD3.97 bn (+5.0% YoY) on higher gas trading revenue, though continued LNG-linked cost pressure compressed gross profit to USD698 mn (-7.8% YoY) and gross margin to 17.6% (from 20.0% in FY24). EBIT reached USD530 mn (13.3% margin), while net profit declined to USD215mn (5.4% margin), reflecting both the margin compression and a USD99.5 mn asset impairment on the South Sesulu block recognized in 4Q25, translating into EPS of IDR146/share and ROE of 7.9%. Meanwhile, 1Q26 revenue reached USD930 mn (-3.8% YoY) on softer gas trading volume, yet gross margin actually improved to 17.0% (from 14.6% in 1Q25) and net profit rose +45.8% YoY to USD90 mn.

Looking ahead, we expect FY26F to mark the trough of PGAS' margin cycle before a gradual FY27F recovery, both anchored to the price cap dynamics (once implemented) discussed earlier. Revenue is projected to grow to USD4.2 bn in FY26F (+5.8% YoY) and USD4.38 bn in FY27F (+4.2% YoY). Gross margin is expected to compress further to 15.5% in FY26F, before recovering to 15.9% in FY27F, translating into gross profit of USD654 mn and USD696 mn respectively. EBIT follows the same trough-then-recovery path, declining to USD459 mn (10.9% margin) in FY26F before rebounding to USD485 mn (11.1% margin) in FY27F. On the bottom line, net profit is forecast to grow +25.9% YoY to USD271 mn in FY26F (EPS: IDR198/share) — though this headline growth is largely caused by a low-base effect following the FY25 impairment rather than genuine operational improvement. FY27F net profit is projected at USD283 mn (+4.4% YoY, EPS: IDR207/share), with ROE improving to 9.7% (FY26F) and 10.0% (FY27F).

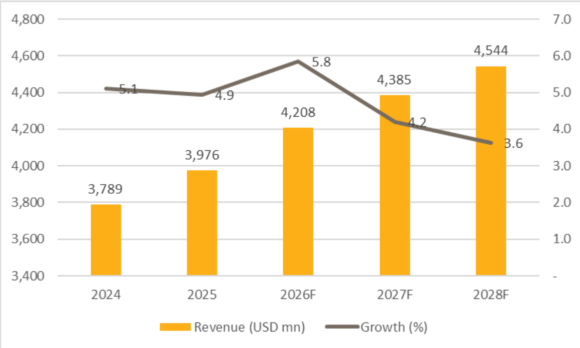
Aside from relatively solid performance, we also expect to maintain a healthy balance sheet and leverage. PGAS reported net cash of ~USD590 mn in FY25, and we project the net cash trend to continue throughout FY26F (~USD550 mn) and FY27F (~USD650 mn). Debt-to-Equity ratio is projected to reach to 30.0% (FY26F) and 28.5% (FY27F) — closely tracking management's own guidance of approximately 29% for FY26F. Net gearing remains modest at 14.2% (FY26F) and 16.6% (FY27F), reflecting PGAS' continued net-cash-oriented capital structure even amid an active capex cycle.

Exhibit 12: 1Q26 Results

Perusahaan Gas Negara (PGAS) (USD mn)	1Q25	4Q25	1Q26	qoq (%)	yoy (%)	1Q26/ KBVS (%)	1Q26/ Cons' (%)
Revenue	967	1,053	930	(11.7)	(3.8)	22.1	22.0
Gross profit	141	196	158	(19.5)	12.3	24.2	20.3
EBIT	102	151	119	(21.4)	16.9	25.9	23.2
EBITDA	203	223	217	(2.5)	7.0	28.1	23.2
Net profit	62	(23)	90	n.a	45.8	33.3	29.9
Gross profit margin (%)	*14.5*	*18,6*	*17.0*	-	-	-	-
EBIT (%)	*10.5*	*14.3*	*12.8*	-	-	-	-
EBITDA margin (%)	*21.0*	*21.2*	*23.4*	-	-	-	-
Net profit margin (%)	*6.4*	*n.a*	*9.7*	-	-	-	-

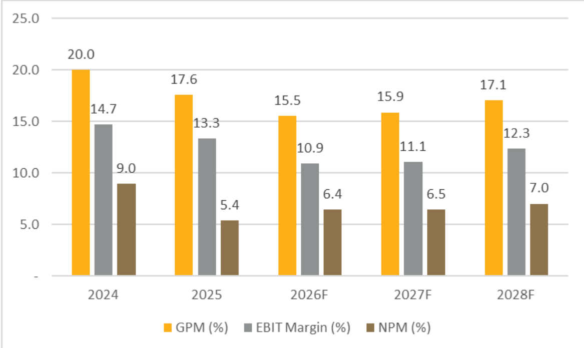
Source: Company, KBVS Research

Exhibit 13: Revenue & Growth



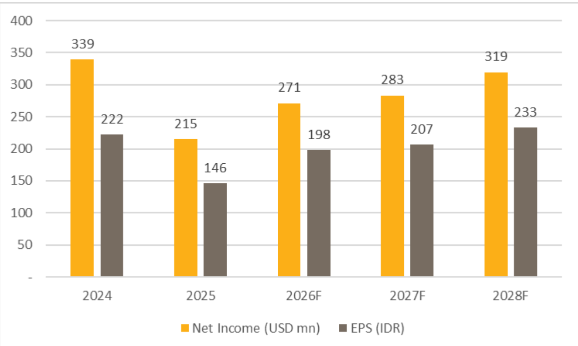
Source: Company, KBVS Research

Exhibit 14: Profitability Margins



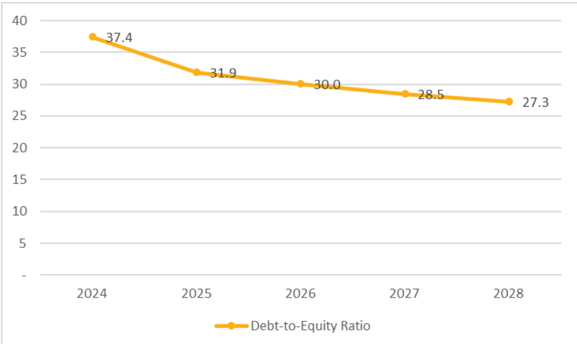
Source: Company, KBVS Research

Exhibit 15: Earnings & EPS



Source: Company, KBVS Research

Exhibit 16: Debt-to-Equity Ratio



Source: Company, KBVS Research

Valuation

We initiate coverage on PGAS with a BUY rating and a DCF-based TP of IDR2,000/share (+29.0% upside), Despite near-term pressures, PGAS' investment thesis remains highly attractive. At our TP, the stock trades at an implied FY26F PE of 10.1x (current level: 7.8x FY26F PE), a discount to the sector average of 12.5x PE. Furthermore, the company benefits from a robust net cash position (~USD590 mn in FY25), healthy leverage, and a consistently high dividend payout ratio (three-year average: 84.2%). This combination of a discounted valuation, a solid balance sheet, and attractive dividend yields makes PGAS a compelling investment pick. Key upside catalysts include a favorable cost-sharing outcome for the price cap, recovering industrial gas demand, and normalizing global LNG prices. Downside risks center on faster-than-expected declines at legacy gas fields, weaker volume recovery, and prolonged price volatility.

Exhibit 17. DCF Summary

DCF SUMMARY	2026F	2027F	2028F	2029F	2030F
Year Frac.	1	2	3	4	5
EBIT	459	485	560	637	686
Add (+) Depreciation	313	312	317	323	330
Less (-) Tax	(133)	(141)	(163)	(185)	(199)
Less (-) Capex	(350)	(364)	(378)	(387)	(396)
Change in WC	(7)	7	(5)	(3)	(9)
Unlevered FCFF	281	300	332	385	412
Discount Factor	1.2	1.4	1.6	1.8	2.2
Present Value	241	221	209	209	191

Terminal value	2,671	EV	2,905
PV of terminal value	1,240	# shares outstanding	24,242
NPV	2,311	*USD/IDR*	17,700
Cash	1,336	Target price	2,000
Debt	742		

Exhibit 18. Peer Comparables

Ticker	Region	Market cap (USD mn)	P/E 26F	P/E 27F	P/BV 26F	P/BV 27F	ROE 26F	ROE 27F
Perusahaan Gas Negara	Indonesia	2,026	10.1	9.5	1.0	1.0	9.7	10.0
Petronas Gas Bhd	Malaysia	8,805	18.8	18.2	2.4	2.3	12.9	13.1
Indraprastha Gas Ltd	India	2,226	13.9	12.3	1.9	1.8	7.3	7.9
China Gas Holdings	Hong Kong	3,953	10.5	10.1	0.5	0.5	4.9	5.3
China Resources Gas Group	Hong Kong	4,493	15.8	12.5	1.3	1.3	8.3	10.8
PTT PCL	Thailand	32,649	10.5	10.4	0.9	0.9	8.9	8.6
Sector			12.5	12.0	1.2	1.2	9.2	9.3

Source: Bloomberg, KBVS Research

Exhibit 19: Profit & loss summary

Year End Dec (USDmn)	2024A	2025A	2026F	2027F	2028F
Revenue	3,789	3,976	4,208	4,385	4,544
COGS	(3,031)	(3,278)	(3,554)	(3,689)	(3,768)
Gross profit	757	698	654	696	775
Operating expenses	(201)	(168)	(195)	(211)	(215)
EBIT	556	530	459	485	560
EBITDA	924	837	771	797	877
Pre-tax profit	578	488	530	554	625
Net profit (parent)	339	215	271	283	319
EPS	222	146	198	207	233
EPS growth (%)	26.8	(34.3)	35.9	4.4	12.8

Source: Company, KBVS Research

Exhibit 20: Balance sheet

Year End Dec (USDmn)	2024A	2025A	2026F	2027F	2028F
Cash and cash equivalent	1.383	1.336	1,233	1,278	1,324
Trade receivables	386	399	440	453	481
Inventories	82	143	155	164	171
Others	135	196	192	197	202
Total current assets	1.987	2.074	2,020	2,092	2,179
Fixed asset	2.509	2.470	2,672	2,741	2,810
Others	1.920	1.688	1,716	1,742	1,774
Total assets	6.416	6.232	6,409	6,574	6,763
Trade payables	237	282	280	284	289
Other current liabilities	897	888	923	945	967
Total current liabilities	1.134	1.169	1,202	1,229	1,256
LT. Debt	704	559	506	461	426
Other non current liabilities	906	896	936	967	995
Total liabilities	2.744	2.625	2,645	2,657	2,677
Minority interest	845	867	973	1,083	1,207
Total Equity	3.672	3.608	3,764	3,918	4,086

Source: Company, KBVS Research

Exhibit 21: Cash flow

Year End Dec (USDmn)	2024A	2025A	2026F	2027F	2028F
Net profit	339	215	271	283	319
Depreciation and amortization	368	307	313	312	317
Change in working capital	53	(18)	(7)	7	(5)
Operating cash flow	760	504	576	603	631
Capex	(136)	(121)	(350)	(364)	(378)
Investing cash flow	(123)	(121)	(508)	(380)	(395)
Changes in debt	320	(133)	(61)	(53)	(41)
Dividends paid	(182)	(126)	(168)	(175)	(199)
Financing cash flow	(498)	(430)	(171)	(179)	(189)
Net cash flow	138	(47)	(103)	44	47
Cash at beginning	1.245	1.383	1,336	1,233	1,278
Cash at ending	1.383	1.336	1,233	1,278	1,324

Source: Company, KBVS Research

Exhibit 22: Ratio analysis

Year End Dec	2024A	2025A	2026F	2027F	2028F
Revenue growth (%)	3.9	4.9	5.8	4.2	3.6
EBIT growth (%)	4.6	(4.6)	(13.5)	5.7	15.6
Net profit growth (%)	22.1	(36.5)	25.9	4.4	12.8
Gross margin (%)	20.0	17.6	15.5	15.9	17.1
EBIT margin (%)	14.7	13.3	10.9	11.1	12.3
Net margin (%)	9.0	5.4	6.4	6.5	7.2
ROE (%)	12.0	7.9	9.7	10.0	11.1
ROA (%)	5.3	3.5	4.2	4.3	4.7
Interest coverage (x)	7.9	7.5	9.4	10.8	13.0
Net gearing (%)	11.5	16.9	14.2	16.6	18.7

Source: Company, KBVS Research

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