

PLN (PLN IJ)

FUNDAMENTAL VIEW ¹

As of 30 Dec 2024

- PLN enjoys extremely strong ties with the Government of Indonesia (GoI) given its critical policy role of electrifying the nation.
- We see a modestly poorer FY24 credit outlook as resilient domestic power demand, flattish power tariffs and insulation from input cost volatility are offset by sizable capex for coal and renewable capacity additions.
- President Prabowo's plans to tamp down on PLN's monopoly could induce longer-term regulatory uncertainties.

RISKS & CATALYSTS

As of 30 Dec 2024

- The company provides subsidized electricity to certain households for which it subsequently receives reimbursements from the GoI; though these payments tend to get delayed during major events such as COVID-19 pandemic.
- In order to increase the country's electrification ratio to 97%, the company had been mandated by the GoI to develop large electricity capacities through the Fast Track II and 35,000 MW Programs. Implementation of such complex programs has required significant capital expenditure, which has led PLN's FCF to fall deep into the red in recent years and created a funding gap.
- The success of the above programs is also contingent on the company's ability to source coal cheaply, select quality contractors, acquire land rights and receive adequate subsidy reimbursements from the GoI.
- Being primarily a thermal power producer, PLN may be viewed unfavourably from an ESG perspective.

KEY METRICS

As of 30 Dec 2024

IDR BN	FY21	FY22	FY23	1H23	1H24
Debt to Book Cap	29.7%	28.9%	27.8%	26.9%	27.5%
Net Debt to Book Cap	26.9%	25.2%	23.7%	24.6%	25.4%
Debt/Total Equity	42.2%	40.7%	38.5%	36.7%	38.0%
Debt/Total Assets	25.7%	24.6%	23.4%	22.6%	22.9%
Gross Leverage	5.0x	4.2x	4.3x	4.0x	4.3x
Net Leverage	4.6x	3.7x	3.7x	3.6x	4.0x
Interest Coverage	3.2x	4.3x	3.6x	3.9x	3.2x
EBITDA Margin	28.0%	30.1%	26.4%	33.4%	29.5%

BUSINESS DESCRIPTION

As of 30 Dec 2024

- PLN is involved in the entire electricity value-chain, from power generation, to transmission, distribution and retail.
- It alone accounts for 76% (~47 GW) of Indonesia's generation capacity (of which 8 GW is renewable capacity), while IPPs provide the remainder.
- The company controls and operates the entire transmission and distribution network in the country. It is the sole buyer of electricity produced by IPPs, through power purchase agreements (PPAs).
- It sells electricity to well-diversified off-takers – 41% to households, 25% to industrial customers, 21% to businesses and 12% to others.
- Since 2015, the GoI has gradually implemented monthly tariff adjustments for 13 customer groups, so that rates charged to customers are better matched with production costs.
- However, under the Public Service Obligation (PSO), the company will continue to sell electricity at subsidized rates of 50% to 450-volt amperes (VA) power households and 25% to 900 VA power households. The GoI subsequently reimburses the company for the difference between the subsidized tariff rate and production cost, typically within 2-3 months.

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