

HGII Equity Update

PT Hero Global Investment Tbk (HGII)

HGII: Short-Term Slump, Positioned for EBT Growth under RUPTL

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Stock Rate
Industry

Buy
Neutral

TP 12M
vs. Last Price

IDR 210
+40%

Stock Data

Ticker Code
Sub Sector
Sector

HGII
Utilities
Infrastructures

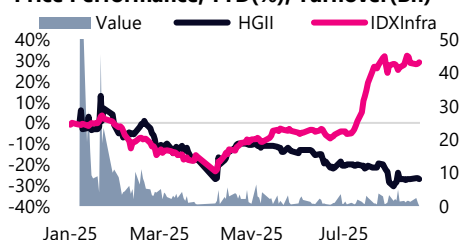
Market Cap (IDR.Tn)
Shares Issued (Bn)
AVG 3M Turnover (Bn)

0.97
6.50
1.41

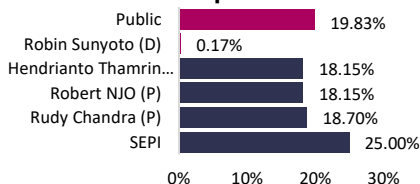
Price (IDR)



Price Performance, YTD(%), Turnover(Bn)



Shareholders Composition



ESG Rating

Environmental n.a
Social n.a
Governance n.a

HGII 1H25 Performance. HGII recorded revenue of IDR 35,632 Mn (-37% y/y), pressured by a significant decline in concession interest income (-3% y/y) and electricity sales (-80% y/y). As a result, gross profit fell -43% y/y to IDR 28,683 Mn, alongside a sharp increase in cost of revenue (+36% y/y). On the operational side, EBIT stood at IDR 15,401 Mn (-62% y/y), while EBITDA was IDR 15,903 Mn (-61% y/y). Net income dropped -57% y/y to IDR 11,236 Mn, reflecting weaker operating profitability.

Profitability contracted significantly, with GPM at 81.09%, OPM at 43.29%, and NPM at 31.53%, while the EBITDA margin declined to 46.63%. Both ROE fell to 3.0% and ROA to 2.3%, highlighting a weakening return on equity and assets. From the balance sheet perspective, equity increased +54.2% y/y to IDR 741,965 Mn, supported by additional capital from the IPO, while liabilities decreased -7% y/y to IDR 218,321 Mn. Consequently, DER improved to 0.14x (vs. 0.25x in FY24) and DAR to 0.23x, indicating a healthier capital structure. ICR remained high at 3.21x, although down from 5.78x, signaling that operating profit still comfortably covers interest expenses. Meanwhile, the cash ratio surged to 656%, driven by a sharp increase in cash and equivalents (+1484% y/y).

We believe HGII's outlook will start to improve beginning next year, supported by a strong cash position from IPO proceeds, which provides ample room for capital expenditure (capex) and future expansion. As of 1H25, only 0.02% of the total IPO funds has been utilized, leaving a significant balance of IDR 254,220 Mn available. The IPO proceeds have been allocated to two major renewable energy projects: the development of a 25MW hydroelectric power plant (66.82%) and a 10MW micro-hydro power plant (31.45%), with operations expected to commence in 2026. With a solid balance sheet and a clear focus on renewable energy, we view HGII as being in a strategic position to create long-term shareholder value while contributing to the national agenda for clean energy development.

Key Takeaways:

- **Revenue fell 37% y/y to IDR 35,632 Mn**, mainly due to a sharp drop in electricity sales (-80% y/y).
- **Profitability weakened as EBIT (-62% y/y)**, EBITDA (-61% y/y), and net income (-57% y/y) declined, with margins contracting across the board.
- **ROE (3.0%) and ROA (2.3%) dropped**, reflecting lower returns on equity and assets.
- **Balance sheet strengthened**, with equity up +54.2% y/y from IPO proceeds, liabilities down -7% y/y, and DER improving to 0.14x.
- **IPO fund absorption remains minimal (0.02% utilized)**, leaving IDR 254,220 Mn), with allocation set for renewable projects (25MW hydro & 10MW micro-hydro, operational target 2026) - positioning HGII for long-term growth in clean energy.

Recommendation "BUY"

We revised HGII's 12-month fair value to IDR 210 per share (from IDR 222), based on a blended DCF and P/E valuation. This target price implies 2025F valuation of 48.6x P/E and 1.79x PBV, or 2026F valuation of 5.7x P/E and 1.48x PBV, assuming significant growth driven by two priority projects: the development of a 25 MW PTLA and a 10 MW micro-hydro power plant, both planned to commence in 2026. *Downside risks include policy shifts, commodity volatility, financing challenges, and operational uncertainties.*

Financial Highlight

End 31 Dec	2022A	2023A	2024A	2025F	2026F	2027F
Revenue (IDR Bn)	92	103	95	91	539	975
Net Profit (IDR Bn)	24	25	38	28	239	444
EPS (IDR Full)	4.59	4.73	7.29	4.32	36.78	68.31
EBITDA Margin	52%	52%	66%	50%	67%	69%
NPM	26.0%	23.8%	39.8%	31.0%	44.4%	45.6%
ROE	6%	5%	8%	3%	24%	34%
Interest Coverage (x)	3.0	2.7	4.7	6.4	8.6	8.8
P/E (x)	43.53	42.29	28.80	48.59	5.71	3.07
P/BV (x)	2.60	2.48	2.27	1.79	1.48	1.12
EV/EBITDA (x)	25.91	22.17	19.01	26.88	3.65	1.87

Source: Bloomberg and KSI Research

Financial Exhibits

Result 2Q25 - 1H25

IDR Mn	1H24	1H25	yoy	2Q24	1Q25	2Q25	q/q	y/y
Cons. Interest Income	31,581	30,684	-3%	17,096	15,423	15,262	-1%	-11%
Sale of electricity	24,935	4,948	-80%	17,024	5,383	-436	-108%	-103%
Revenue	56,516	35,632	-37%	34,120	20,806	14,826	-29%	-57%
Cost of Revenue	5,674	6,769	19%	2,297	3,453	3,316	-4%	44%
Gross Profit	50,842	28,863	-43%	31,823	17,352	11,510	-34%	-64%
Selling, General & Adm. Exp.	9,646	13,120	36%	5,042	7,186	5,934	-17%	18%
EBIT	40,911	15,401	-62%	26,628	10,022	5,379	-46%	-80%
Finance Cost	7,146	4,954	-31%	3,459	2,628	2,326	-11%	-33%
Pre-Tax Income	34,269	14,084	-59%	23,646	8,941	5,143	-42%	-78%
EBITDA	41,291	15,903	-61%	26,828	10,246	5,657	-45%	-79%
Net income	26,363	11,236.40	-57%	18,866	6,885	4,351	-37%	-77%
EPS (Full IDR)	n.a	1.73	-	n.a	1.059	0.669	-37%	n.a
	FY2024	1H25		2Q24	1Q25	2Q25		
Cash and Cash Equivalents	17,676	280,035	1484%	21,011	274,235	280,035	2.1%	1233%
Short Term Debt	27,889	22,064	-21%	144,342	21,120	22,064	4.5%	-85%
Long Term Debt	94,417	83,278	-12%	990	88,320	83,278	-5.7%	8316%
Liabilities	234,594	218,321	-7%	258,317	221,141	218,321	-1.3%	-15%
Equity	481,156	741,965	54.2%	469,572	742,174	741,965	0%	58%
Total Asset	715,750	960,286	34%	727,889	963,315	960,286	0%	32%
	1H24	1H25		2Q24	1Q25	2Q25		
GPM %	89.96%	81.00%	-9%	93.27%	83.40%	77.64%	-6%	-16%
OPM %	72.39%	43.22%	-29%	78.04%	48.17%	36.28%	-12%	-42%
NPM %	46.65%	31.53%	-15%	55.29%	33.09%	29.35%	-4%	-26%
EBITDA %	73.06%	44.63%	-28%	78.63%	49.24%	38.16%	-11%	-40%
ROE (%)	11.2%	3.0%	-8%	16.1%	3.7%	2.3%	-1%	-14%
ROA (%)	7.2%	2.3%	-5%	10.4%	2.9%	1.8%	-1%	-9%
	FY2024	1H25		2Q24	1Q25	2Q25		
Debt to Equity (x)	0.25x	0.14x	(0.11)	0.31x	0.15x	0.14x	(0.01)	(0.17)
DER (x)	0.49x	0.29x	(0.19)	0.55x	0.30x	0.29x	(0.00)	(0.26)
DAR (x)	0.33x	0.23x	(0.10)	0.35x	0.23x	0.23x	(0.00)	(0.13)
ICR (x)	5.78x	3.21x	(2.57)	7.76x	3.90x	2.43x	(1.47)	(5.32)
Current Ratio (x)	2.66x	8.62x	5.95	0.72x	10.08x	8.62x	(1.46)	7.90
Cash Ratio (%)	40%	656%	616%	13%	750%	656%	-94%	643%

Source : KSI Research & Bloomberg

HGII posted revenue of IDR 35,632 Mn (-37% y/y), pressured by a significant decline in concession interest income (-3% y/y) and electricity sales (-80% y/y). In the second quarter, electricity sales turned negative due to lower electricity production compared to the PPA target agreed with PLN, exacerbated by the extreme drought in May-June that severely limited electricity output. As a result, gross profit fell -43% y/y to IDR 28,683 Mn, in line with a 36% y/y increase in cost of revenue.

On the operational side, EBIT stood at IDR 15,401 Mn (-62% y/y), while EBITDA reached IDR 15,903 Mn (-61% y/y). Net income plunged -57% y/y to IDR 11,236 Mn, reflecting weaker operating profitability.

Profitability dropped sharply: GPM was 81.09%, OPM 43.29%, and NPM 31.53%. EBITDA margin also contracted to 46.63%. ROE declined to 3.0% and ROA to 2.3%, indicating weaker returns on both equity and assets.

From the balance sheet perspective, equity rose +54.2% y/y to IDR 741,965 Mn, supported by additional funds from the IPO. Meanwhile, liabilities fell -7% y/y to IDR 218,321 Mn. Consequently, DER decreased to 0.14x (vs. 0.25x in FY24) and DAR to 0.23x, signaling a healthier capital structure. ICR remained high at 3.21x, though down sharply from 5.78x, suggesting debt-servicing ability is still safe. The cash ratio surged to 656%, driven by a significant increase in cash and cash equivalents (+1484% y/y).

Financial Exhibits

Year-end 31 Dec (IDR Mn)	2022A	2023A	2024A	2025F	2026F	2027F
Revenue	91,749	103,183	95,293	90,743	539,083	974,593
Costs of revenue	27,970	32,088	13,424	27,223	161,725	292,378
Gross profit	63,779	71,096	81,869	63,520	377,358	682,215
Operating profit	49,052	53,130	62,088	44,683	357,580	661,448
EBITDA	47,825	53,756	62,938	45,398	361,823	669,119
Income before tax	32,730	33,355	49,347	37,580	315,381	585,157
Tax expenses	7,397	7,212	11,472	8,125	68,191	126,521
Minority interests	1,443.0	1,551.1	(39.9)	1,364.1	8,103.7	14,650.5
Net income	23,890	24,592	37,915	28,091	239,086	443,986
EPS (IDR)	4.59	4.73	7.29	4.32	36.78	68.31

Balance sheet

Year-end 31 Dec (IDR Mn)	2022A	2023A	2024A	2025F	2026F	2027F
Cash and equivalents	15,614	19,017	17,676	221,269	132,135	220,629
Account receivables	13	694	10,373	9,122	54,193	97,974
Fixed assets	3,393	6,389	7,405	7,833	9,521	12,561
Other assets	763,354	740,124	680,297	773,491	1,075,554	1,358,931
Total assets	782,374	766,224	715,750	1,011,716	1,271,403	1,690,095
S-T liabilities	175,196	162,485	27,889	15,665	19,041	25,122
Other S-T liabilities	49,878	55,796	15,846	12,963	77,012	139,228
L-T liabilities	39,588	8,103	94,417	60,912	68,861	84,652
Other L-T liabilities	85,184	86,705	96,443	101,265	111,391	122,530
Total liabilities	349,846	313,089	234,594	190,805	276,305	371,531
Equity	432,528	453,134	481,156	820,911	995,097	1,318,564
BVPS (IDR)	77	81	92	117	142	188

Cash Flows Statement

Year-end 31 Dec (IDR Mn)	2022A	2023A	2024A	2025F	2026F	2027F
Net Income	23,890	24,592	37,915	28,091	239,086	443,986
Depreciation	461	626	850	714	4,243	7,671
Change in working capital	6,317	(5,238)	49,629	1,632	(18,978)	(18,434)
Others	(38,171)	(27,668)	(234,332)	(48,717)	(206,645)	(413,586)
Operating cash flow	(7,504)	(7,688)	(145,938)	(18,280)	17,707	19,636
Capital expenditure	(2,116)	(6,844)	(830)	(681)	(2,156)	(3,898)
Others	9,200	23,445	21,539	(88,769)	(297,416)	(278,498)
Investing cash flow	7,545	20,448	20,523	(89,197)	(299,104)	(281,538)
Dividend paid	-	-	-	7,023	59,772	110,996
Net change in debt	(25,362)	(31,485)	86,314	(33,505)	7,949	15,791
Others	30,807	22,128	37,760	337,554	124,542	223,609
Financing cash flow	5,445	(9,357)	124,073	311,071	192,262	350,397
Effect of Foreign Exc. Rates	-	-	-	-	-	-
Change in cash	5,486	3,403	(1,341)	203,594	(89,135)	88,495
Beginning cash flow	10,128	15,614	19,017	17,676	221,269	132,135
Ending cash flow	15,614	19,017	17,676	221,269	132,135	220,629

Source : KSI Research & Bloomberg

Financial Ratio

Key Ratios	2022A	2023A	2024A	2025F	2026F	2027F
Revenue Growth (%)	-62%	12%	-8%	-5%	494%	81%
Gross Profit Growth (%)	-52%	11%	15%	-22%	494%	81%
Operating Profit Growth (%)	-60%	8%	17%	-28%	700%	85%
EBITDA Growth (%)	-60%	12%	17%	-28%	697%	85%
Net Profit Growth (%)	-71%	3%	54%	-26%	751%	86%
EPS Growth (%)	N/A	N/A	54%	-41%	751%	86%
Gross margin (%)	70%	69%	86%	70%	70%	70%
EBITDA margin (%)	52%	52%	66%	50%	67%	69%
EBIT margin (%)	53%	51%	65%	49%	66%	68%
Pretax margin (%)	36%	32%	52%	41%	59%	60%
Net margin (%)	26%	24%	40%	31%	44%	46%
ROE (%)	6%	5%	8%	3%	24%	34%
ROA (%)	3%	3%	5%	3%	19%	26%
Current ratio (x)	0.63x	0.67x	2.66x	11.29x	2.96x	2.56x
Quick ratio (x)	0.63x	0.67x	2.66x	11.29x	2.96x	2.56x
Gearing (%)	50%	38%	25%	9%	9%	8%
LT D/Equity (x)	0.29x	0.21x	0.40x	0.20x	0.18x	0.16x
DER (x)	0.81x	0.69x	0.49x	0.23x	0.28x	0.28x
DAR (x)	0.45x	0.41x	0.33x	0.19x	0.22x	0.22x
Interest Coverage (x)	2.97x	2.74x	4.72x	6.41x	8.59x	8.79x
Receivable turn over (x)	13796.89x	291.85x	17.22x	9.31x	17.03x	12.81x
AR turnover (days)	0	1	21	39	21	28
Cash Ratio	7%	9%	40%	773%	138%	134%
Sustainable Growth (%)	6%	5%	8%	3%	18%	25%
Earning Yield (%)	2.3%	2.4%	3.3%	2.1%	17.5%	32.5%
Dividend Yield (%)	0.0%	0.0%	0.0%	0.5%	4.4%	8.1%
PE (x)	43.53x	42.29x	30.17x	48.59x	5.71x	3.07x
PBV (x)	2.60x	2.48x	2.38x	1.79x	1.48x	1.12x
P/Sales (x)	11.34x	10.08x	12.01x	15.04x	2.53x	1.40x
EV/Ebitda (x)	25.91x	22.17x	19.84x	26.88x	3.65x	1.87x

Source : KSI Research & Bloomberg

Kiwoom Sekuritas Guide to Sector/Industry/Stock Ratings

Sector/Industry

OVERWEIGHT	: Sector & Industry Outlook has potential and good condition
NEUTRAL	: Sector & Industry Outlook Stable or tend to be stagnant
UNDERWEIGHT	: Sector & Industry Outlook has challenges and bad condition

Stock

BUY	: Stock Performance > +15%	Over the next 12 month (excluding dividend)
TRADING BUY	: Stock Performance, range between +5% to +15%	Minor to Medium Term
HOLD	: Stock Performance, range between -10% to +15%	Over the next 12 month (excluding dividend)
SELL	: Stock Performance > -15%	Over the next 12 month (excluding dividend)
TRADING SELL	: Stock Performance, range between -5% to -15%	Minor to Medium Term
NOT RATED	: Stock is not within regular research coverage	Over the next 12 month (excluding dividend)



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