

## Aneka Gas Industri (AGII JJ) : BUY

Mkt. Cap: US\$125m | 3m Avg. Daily Val: US\$0.01m

Last Traded Price ( 1 Aug 2018): Rp590

Price Target 12-mth: Rp1,300 (120% upside)

### Analyst

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### Company Guide



Summary of our point of view, and highlights the relevant data points, which are actively tracked

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### Softer q-o-q performance due to shorter working days

- Earnings grew by 8% y-o-y to Rp15.8bn in 2Q18, slightly below expectation
- Shorter working days hindered revenue growth
- Earnings to come in stronger in the following quarters
- Maintain BUY rating and TP of Rp1,300

#### Forecasts and Valuation

FY Dec (Rpbn)	2017A	2018F	2019F	2020F
Revenue	1,838	1,909	2,150	2,673
EBITDA	611	676	737	854
Pre-tax Profit	134	166	212	334
Net Profit	85.6	109	140	221
Net Pft (Pre Ex.)	85.6	109	140	221
Net Pft Gth (Pre-ex) (%)	55.9	27.8	27.9	57.6
EPS (Rp)	27.9	35.7	45.6	71.9
EPS Pre Ex. (Rp)	27.9	35.7	45.6	71.9
EPS Gth Pre Ex (%)	56	28	28	58
Diluted EPS (Rp)	27.9	35.7	45.6	71.9
Net DPS (Rp)	0.0	0.0	0.0	0.0
BV Per Share (Rp)	574	609	655	727
PE (X)	21.1	16.5	12.9	8.2
PE Pre Ex. (X)	21.1	16.5	12.9	8.2
P/Cash Flow (X)	7.4	2.0	3.9	3.2
EV/EBITDA (X)	9.3	7.5	6.7	5.7
Net Div Yield (%)	0.0	0.0	0.0	0.0
P/Book Value (X)	1.0	1.0	0.9	0.8
Net Debt/Equity (X)	0.6	0.5	0.4	0.3
ROAE (%)	5.1	6.0	7.2	10.4

Source of all data on this page: Company, DBSVI, Bloomberg Finance L.P.

### What's New

**Single-digit y-o-y earnings growth, slightly below our expectation.** AGII posted a NPAT of Rp15.8bn (+8.1% y-o-y, -39.8% y-o-y) due to weaker q-o-q topline performance. Its EBITDA performance also shows a similar pattern – 2Q18 EBITDA came in at Rp150bn (+7.1% y-o-y, -8.5% q-o-q). Operational related margin performance was relatively stable q-o-q, but inched up y-o-y, thanks to its cost-plus margin air gases pricing mechanism.

**Revenue affected by shorter working days.** Revenue came in at Rp461bn (+5.8% y-o-y, -5.9% q-o-q). The lower q-o-q revenue growth performance can be attributed to the shorter working days in June 2018. We have yet to obtain operational details in 2Q18 but weaker demand from consumer- and healthcare- related end-users appeared to be the culprit behind the lower volume growth in the period.

### Outlook

**Keeping our earnings estimates for now.** We are keeping our financial forecasts, given the stronger earnings outlook in 2H18, especially in 4Q of the year as seen in AGII's historical quarterly earnings pattern. Our FY18 EBITDA and net profit forecasts are Rp676bn (+10.6% y-o-y) and Rp109bn (+27.8% y-o-y) respectively.

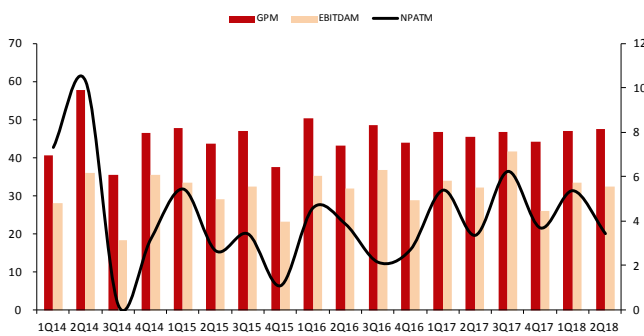
## Flash Note

We are looking beyond AGII's short-term earnings performance. To gauge AGII's business performance outlook, we believe that investors need to look beyond its quarterly earnings performance that does not fully reflect its strong footprint in the industrial gas sector and sound operational performance. Moreover, given that it is now at the growth and expansion stage, its earnings performance may be dampened by short-term financing expenses amid AGII's deleveraging efforts.

### Valuation

We maintain our BUY rating with a TP of Rp1,300. Our TP is derived from discounted cash flow (DCF) valuation, with a WACC of 11.2% and TG of 2.0%. Our TP implies an FY19 EV/EBITDA multiple of 7.8x.

### Quarterly profitability trend



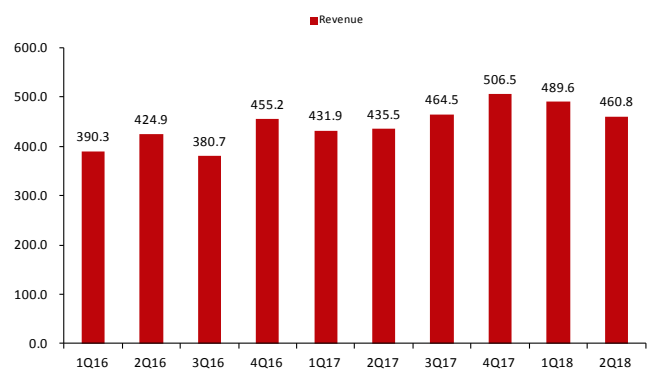
Source: Company, DBSVI

### Quarterly financing cost trend



Source: Company, DBSVI

### Quarterly revenue trend



Source: Company, DBSVI

## Quarterly / Interim Income Statement (Rpbn)

FY Dec	2Q2017	1Q2018	2Q2018	% chg yoy	% chg qoq
Revenue	435	490	461	5.8	(5.9)
Cost of Goods Sold	(238)	(259)	(242)	1.9	(6.4)
<b>Gross Profit</b>	<b>198</b>	<b>231</b>	<b>218</b>	<b>10.5</b>	<b>(5.3)</b>
Other Oper. (Exp)/Inc	(115)	(126)	(137)	19.7	8.5
<b>Operating Profit</b>	<b>83.0</b>	<b>104</b>	<b>81.3</b>	<b>(2.1)</b>	<b>(22.0)</b>
Other Non Opg (Exp)/Inc	3.27	7.27	15.5	375.5	113.6
Associates & JV Inc	0.0	0.0	0.0	nm	nm
Net Interest (Exp)/Inc	(64.8)	(70.1)	(74.0)	(14.2)	(5.6)
Exceptional Gain/(Loss)	0.0	0.0	0.0	nm	nm
<b>Pre-tax Profit</b>	<b>21.5</b>	<b>41.4</b>	<b>22.8</b>	<b>6.1</b>	<b>(44.9)</b>
Tax	(5.3)	(10.3)	(4.9)	(6.4)	(52.0)
Minority Interest	(1.6)	(4.8)	(2.1)	(27.9)	(57.2)
<b>Net Profit</b>	<b>14.6</b>	<b>26.3</b>	<b>15.8</b>	<b>8.1</b>	<b>(39.8)</b>
Net profit bef Except.	14.6	26.3	15.8	8.1	(39.8)
EBITDA	140	164	150	7.1	(8.5)
<b>Margins (%)</b>					
Gross Margins	45.4	47.1	47.4		
Opg Profit Margins	19.1	21.3	17.6		
Net Profit Margins	3.4	5.4	3.4		

Source of all data: Company, DBSVI

## Target Price &amp; Ratings History



S.No.	Date of Report	Closing Price	12-mth Target Price	Rating
1:	02 Aug 17	790	1300	BUY
2:	01 Nov 17	590	1300	BUY
3:	02 Apr 18	720	1300	BUY
4:	02 May 18	700	1300	BUY

Note: Share price and Target price are adjusted for corporate actions.

Source: DBSVI

Analyst: William Simadiputra

DBSVI recommendations are based on Absolute Total Return\* Rating system, defined as follows:

**STRONG BUY** (>20% total return over the next 3 months, with identifiable share price catalysts within this time frame)

**BUY** (>15% total return over the next 12 months for small caps, >10% for large caps)

**HOLD** (-10% to +15% total return over the next 12 months for small caps, -10% to +10% for large caps)

**FULLY VALUED** (negative total return i.e. > -10% over the next 12 months)

**SELL** (negative total return of > -20% over the next 3 months, with identifiable catalysts within this time frame)

*Share price appreciation + dividends*

Completed Date: 2 Aug 2018 07:31:52 (WIB)

Dissemination Date: 2 Aug 2018 07:53:46 (WIB)

Sources for all charts and tables are DBSVI unless otherwise specified.

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