

Friday, 08 June 2018
Not Rated

Perusahaan Gas Negara (PGAS)

Acquisition options

Last price (IDR) 2,200

We visited PGN to discuss about the current acquisition of Pertagas. The progress of the due diligence is still on going and the valuation is expected to be finalized by the end of June. PGN mentioned the possible schemes that might be used to acquire Pertagas. Besides this, PGN has another option which is to acquire Pertagas partially with several funding alternatives.

Stock Statistics

Sector Utilities
Bloomberg Ticker **PGAS**
No of Shrs (mn) 24,241
Mkt. Cap (IDRbn/USDbn) 53,331/3.98
Avg. daily T/O (IDRbn/USDmn) 175.98/13.03

Major shareholders (%)

Government 56.97
Public 43.03
Estimated free float 43.03

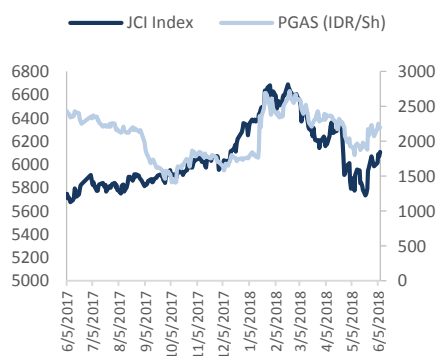
Delayed, but progressing. The acquisition is still in progress but behind schedule due to negotiations at the executive level, especially regarding the valuation and other internal issues. However, government has set a deadline to finish the acquisition by the end of June 2018 which before regional election to avoid political risk.

New alternative. PGN initially planned to acquire the entire shares of Pertagas using external funding or assets swap. However, due to limited time (the Lebaran holidays in June) and tough due diligence, PGN is looking at an alternative option: to partially acquire Pertagas. Nonetheless, the portion to be acquired has not been announced. With this option, PGN does not need to hold Extraordinary General Shareholders' Meeting to acquire Pertagas, since the possible acquiring cost is less than 50% of PGN equity book value which translates to USD 1.6bn, which, therefore, PGN may meet the deadline.

Funding possibilities. PGN has two financing options to complete the deal: issuance of syndicated loans or holding loans. A rights issue at a later date also remains possible. However, the timing of a rights issue is still unknown, most likely after the general election. A rights issue would require approval from the House of Representatives according to PP 72/2016. Through the rights issue PGN would be expected to repay 43% of the loan used to acquire Pertagas. The other 57% might be converted to shares (owned by Pertamina). Details on whether PGN will use a convertible bond or not are still unavailable.

Partial acquisition looks most likely. We still have concerns on a partial acquisition of Pertagas since there is uncertainty on the equity portion which will not be acquired. Nonetheless, in view of the short period given by the government and because of difficulties in the acquisition process, partial acquisition looks most likely for PGN.

PGAS relative to JCI Index



Source : Bloomberg

Key Financials

	2014	2015	2016	2017	1Q2018
Revenue, USD	3001.5	3253.4	3068.8	2934.8	2969.6
EBITDA, USD	1,114.5	951.2	807.4	830.4	249.0
EBITDA Growth (%)	-0.5	-14.6	-15.1	2.9	-1.97
Net profit, USD mn	804.5	668.5	497.3	304.3	143.1
EPS, USD	0.03	0.03	0.02	0.01	0.01
EPS growth (%)	-16.91	-25.61	-38.80	-52.96	-43.87
BVPS, USD	0.11	0.12	0.12	0.13	0.13
DPS, USD	0.01	0.01	0.01	0.00	-
PER (x)	16.12	11.65	15.34	21.47	30.28
PBV (x)	4.08	1.59	1.53	0.99	1.18
Dividend yield (%)	38.38	42.03	79.66	38.26	-
EV/EBITDA (x)	11.08	6.44	7.89	5.34	20.09

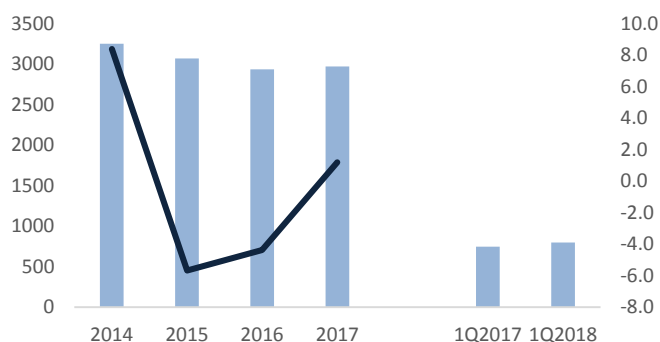
Source : Company



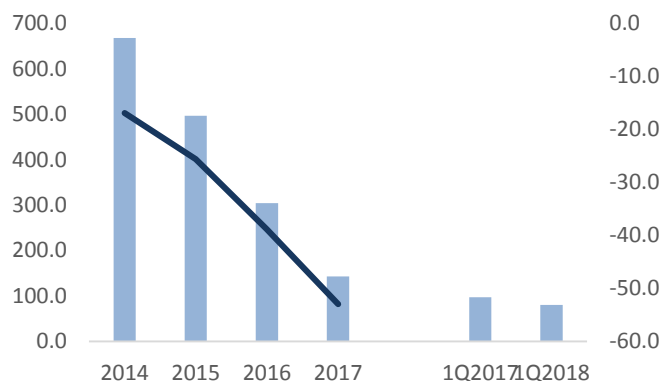
Ignatius Teguh Prayoga

(62-21) 2955 5888 ext 3511

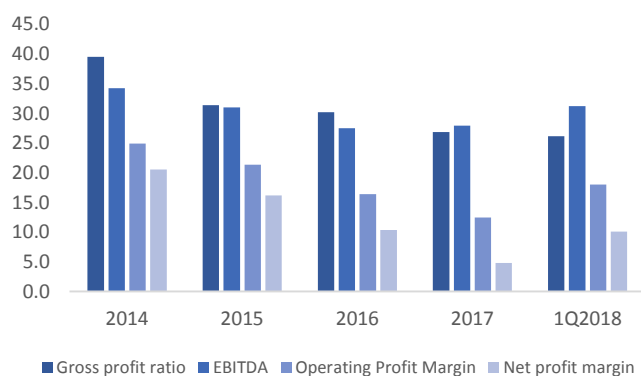
ignatius.prayoga@danareksa.co.id

Exhibit 1. Revenues and Growth


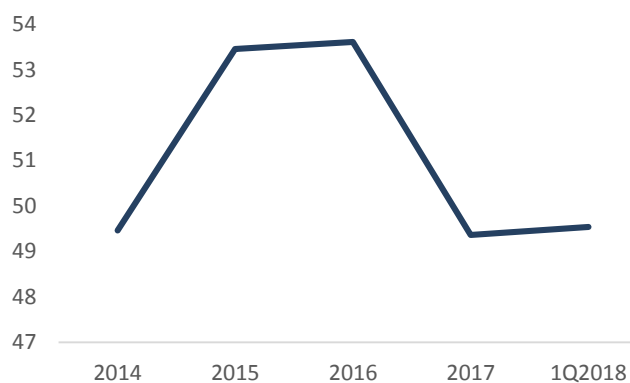
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Exhibit 2. Net Profits and Growth


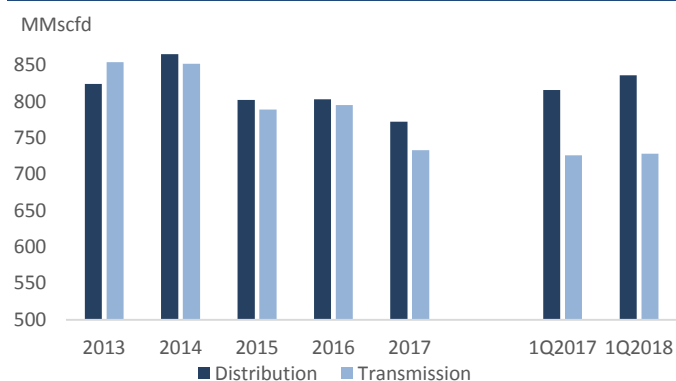
Source: Company

Exhibit 3. Margins


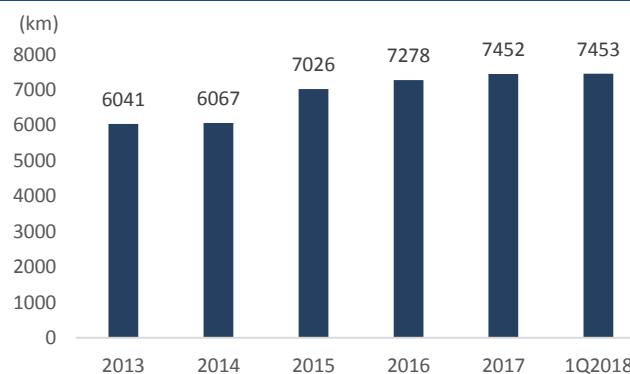
Source: Company

Exhibit 4. Gearing Level


Source: Company

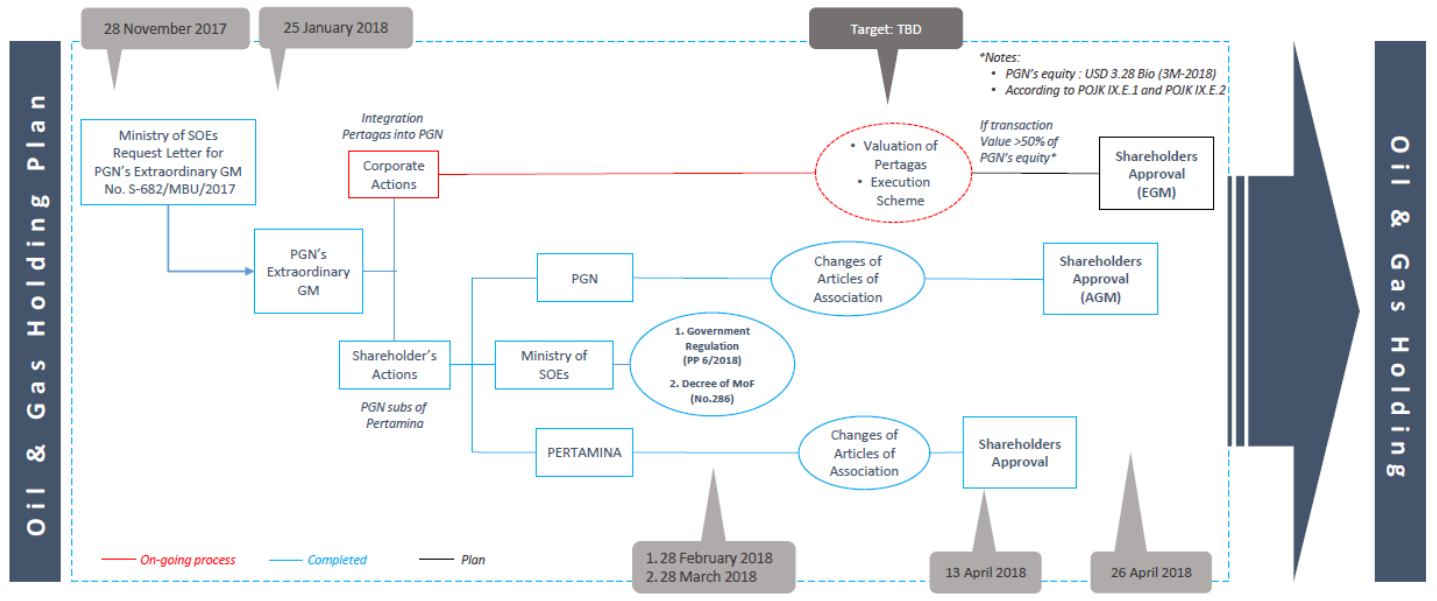
Exhibit 5. Distribution and Transmission (MMBTU)


Source: Company

Exhibit 6. Pipeline Length


Source: Company

Exhibit 7. Timeline of Pertagas Acquisition



Source: Company

Exhibit 8. Income Statement

USD mn	2014	2015	2016	2017	1Q2018
Revenue	3001.5	3253.4	3068.8	2934.8	2969.6
COGS	(1,584)	(1,968)	(2,106)	(2,048)	(2,172)
Gross profit	1417.7	1285.5	963.1	886.9	797.2
EBITDA	1,114	951	807	830	830
Oper. profit	811	655	481	370	144
Interest income	32.0	16.2	17.8	17.3	2
Interest expense	(74)	(119)	(132)	(147)	(29)
Forex Gain/(Loss)	49	(14)	(5)	(7)	(32)
Income From Assoc. Co's	-	-	(37)	7	-
Other Income (Expenses)	2	(54)	10	(3)	4
Pre-tax profit	885.8	535.0	385.0	275.6	105.4
Income tax	-217.1	-35.3	-76.4	-127.8	-24.4
Minority interest	-0.2	-2.4	-4.3	-4.6	-0.6
Net profit	668.5	497.3	304.3	143.1	80.4

Exhibit 9. Balance Sheet

USD mn	2014	2015	2016	2017	1Q2018
Cash & cash equivalent	1,131.0	1,135.5	1,304.0	1,026.3	1,197.1
Receivables	364.1	387.3	555.2	529.3	562.4
Inventory	62.6	43.5	65.3	60.8	62.1
Other Curr. Asset	177.3	156.3	200.1	191.6	200.2
Fixed assets - Net	1,825.7	1,871.3	1,828.6	1,706.4	1,678.5
Oil and gas properties	1,416.6	1,636.3	1,708.7	1,594.9	1,564.5
Other non-curr.asset	712.2	1,264.9	1,172.2	1,183.8	1,199.9
Total asset	5,689.6	6,495.0	6,834.2	6,293.1	6,464.9
ST Debt	328.4	391.5	502.2	214.9	220.9
Payables	253.0	201.7	219.2	189.7	291.8
Other Curr. Liabilities	87.8	74.2	94.0	62.1	40.9
Long Term Debt	1,805.3	2,587.2	2,631.7	2,369.7	2,380.3
Other LT. Liabilities	339.7	217.7	216.9	269.9	268.8
Total Liabilities	2,814.1	3,472.2	3,664.0	3,106.2	3,202.7
Shareholder's Equity	2,875.4	3,020.4	3,163.2	3,168.2	3,242.8
Minority interests	0.0	2.4	7.0	18.8	19.3
Total Equity & Liabilities	5,689.6	6,495.0	6,834.2	6,293.1	6,464.9

Exhibit 10. Cash Flow

USD mn	2014	2015	2016	2017	1Q2018
Net income	804.5	668.5	497.3	304.3	80.36
Depreciation and Amort.	257.15	393.98	363.13	453.39	105.40
Change in Working Cap.	148.2	301.4	559.8	394.8	412.4
Other Oper. Cash Flow	(802.71)	(188.08)	(23.77)	47.91	31.26
Operating Cash Flow	787.5	528.4	655.5	577.9	207.4
Capex	(515.71)	(933.98)	(476.76)	(237.29)	(49.57)
Others Inv. Cash Flow	(802.71)	(188.08)	(23.77)	47.91	31.26
Investing Cash Flow	(1,318.41)	(1,122.06)	(500.53)	(189.38)	(18.32)
Net change in debt	975.56	869.93	178.82	(504.73)	(8.24)
New Capital	-	0.00	0.25	-	-
Dividend payment	(443.98)	(268.72)	(166.66)	(136.72)	-
Other Fin. Cash Flow	1.26	(6.33)	(7.03)	(6.41)	(1.26)
Financing Cash Flow	532.83	594.88	5.39	(647.86)	(9.49)
Net Change in Cash	-102.64	4.55	168.54	-277.71	170.81
Cash - begin of the year	1,233.59	1,130.95	1,135.50	1,304.04	1,026.33
Cash - end of the year	1,130.95	1,135.50	1,304.04	1,026.33	1,197.14

Exhibit 11. Key Ratios

	2014	2015	2016	2017	1Q2018
Growth (%)					
Revenue	8.4	-5.7	-4.4	1.2	6.93
EBITDA	-0.5	-14.6	-15.1	2.9	-1.97
Operating profit	-13.2	-19.2	-26.5	-23.2	-7.95
Net profit	-16.9	-25.6	-38.8	-53.0	-17.16
Profitability (%)					
Gross margin	39.5	31.4	30.2	26.8	26.2
EBITDA margin	34.3	31.0	27.5	28.0	31.2
Operating margin	24.9	21.3	16.4	12.5	18.0
Net margin	20.5	16.2	10.4	4.8	10.1
ROAA	13.4	8.2	4.6	2.2	1.2
ROAE	24.1	16.9	9.8	4.5	2.5
Leverage					
Net Gearing (x)	38.14	49.46	53.46	53.61	49.36
Interest Coverage (x)	11.00	5.50	3.64	2.51	5.00

Source : Company

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