



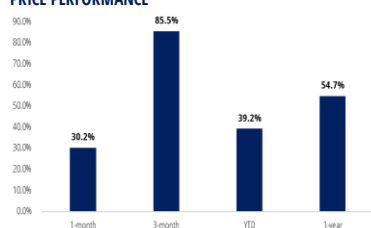
**PT ANEKA GAS INDUSTRI TBK.**

Ticker: **AGII**  
Last Price (1/12/20): **905**  
# Shares (million): **3,067**  
Market Cap (million rupiah): **2,775,327**

**RECOMMENDATION** **SELL**  
**12-Month Target Price** **530**  
**Upside Potential** **-41.4%**

**SHAREHOLDERS**  
**PT Samator** **40.5%**  
**PT Aneka Mega Energi** **25.0%**  
**Public** **19.4%**  
**Others** **15.1%**

**PRICE PERFORMANCE**



**AGII vs. JCI (LAST ONE YEAR)**



**WITHIN OUR EXPECTATIONS, BUT OVERVALUED SHARES**

As of 9M20, AGII booked revenues of Rp1.6T (-2.5% Y/Y; 75.4% of 2020F estimate). 3Q20 GPM was slightly down to 41.3% from 41.4% in 2Q20 and 44.8% in 3Q20, but lower 3Q20 operating expenses (-7.8% Q/Q; -10.5% Y/Y) kept AGII's EBIT afloat. 9M20 net profit is above our expectations at Rp30B (-59.8% Y/Y; 81.6% of 2020F estimate), but we changed our recommendation to SELL, as share price, which stood at Rp905/share on December 1<sup>st</sup>, far exceeded its fair value at Rp530/share.

**GAS PRODUCT CLIMBED UP**

3Q20 gas sales has been satisfying so far, standing at Rp500B (+12.1% Q/Q/5.7% Y/Y); but 3Q20 result remains insufficient to offset weak 2Q20 result, thus 9M20 gas product sales declined by -1.4% (Y/Y). Gas product margin also recovered to 41.3% vs. 38.6% in 2Q20 but is still lower than that of 3Q19 at 46.9%. On the other hand, equipment margin nosedived to 28.5% from 46.4% in 2Q20. Overall, 3Q20 AGII's GPM stands at 41.3% vs. 41.4% in 2Q20, but is far lower than GPM in 3Q19 at 44.8%. Despite a surge in sales, margin-wise the Company is not really coping well. Going forward, we are still confident in our 2020F estimate, but margin may remain moderate, if not weak.

**PUSHING DOWN THE COSTS**

AGII has been doing a good job in pushing down its costs: 3Q20 operating expense was down by -7.8% (Q/Q) and -10.5% (Y/Y) and 3Q20 finance expense declined by -9.3% (Q/Q) and -3.8% (Y/Y). Margin-wise however, remains below the pre-pandemic margin: 3Q20 EBIT at 16.6% vs. 1Q20 18.1% vs. 3Q20's 18.1%. AGII's 9M20 net profit stood at Rp30B, which represents 81.6% of our 2020F estimate.

**IT'S CURRENTLY OVERVALUED**

AGII share price has gone up by +30.2% in one month and a staggering 85.5% in 3-month time, standing at Rp905/share as of December 1<sup>st</sup>. According to our model, AGII's fair value stands at Rp530/share and requires no change, as 3Q20 results are quite in line with our expectations. As a result, we downgrade our call to SELL from HOLD.

**VALUATION**

We downgrade our HOLD recommendation to SELL with 12-month target price of Rp530/share (previous TP: Rp530/share), which represents P/E of 28.9 and P/B of 0.5x.

(Rp Billions)	2018	2019	2020F	2021F	2022F
Revenue	2,073	2,204	2,091	2,284	2,506
EBITDA	645	676	629	697	758
Net Profit	99	100	36	56	80
EPS	32	33	12	18	26
BVPS	1,026	1,076	1,085	1,102	1,126
P/E (x)	28.0	27.7	76.7	49.4	34.8
P/B (x)	0.9	0.8	0.8	0.8	0.8
EV/EBITDA (x)	8.5	8.3	8.9	8.0	7.4

Sources: AGII, MPIS Research

**ANALYST**

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## APPENDIX

Figure A-1

### INCOME STATEMENT

(Rp Billions)	2018	2019	2020F	2021F	2022F
Revenue	2,073	2,204	2,091	2,284	2,506
Cost of Goods Sold	(1,133)	(1,206)	(1,156)	(1,265)	(1,388)
<b>Gross Profit</b>	<b>940</b>	<b>998</b>	<b>934</b>	<b>1,019</b>	<b>1,118</b>
Selling Expenses	(301)	(336)	(335)	(354)	(376)
General & Administrative Expenses	(253)	(264)	(272)	(286)	(313)
<b>Operating Profit</b>	<b>387</b>	<b>397</b>	<b>328</b>	<b>380</b>	<b>429</b>
Finance Income	53	63	57	54	53
Finance Expenses	(295)	(332)	(338)	(351)	(367)
Others	3	10	8	7	8
<b>Pre-tax Profit</b>	<b>148</b>	<b>138</b>	<b>55</b>	<b>90</b>	<b>123</b>
Taxes	(33)	(35)	(8)	(23)	(31)
Minority Interest	15	3	10	11	13
<b>Net Profit</b>	<b>99</b>	<b>100</b>	<b>36</b>	<b>56</b>	<b>80</b>

Sources: AGII, MPIS Research

Figure A-2

### BALANCE SHEET

(Rp Billions)	2018	2019	2020F	2021F	2022F
Cash and cash equivalents	364	378	389	377	382
Accounts Receivable	429	412	401	438	481
Inventories	456	446	428	468	513
Other Current Assets	337	460	414	420	472
<b>Current Assets</b>	<b>1,586</b>	<b>1,696</b>	<b>1,631</b>	<b>1,703</b>	<b>1,847</b>
Fixed Assets	4,835	5,092	5,173	5,143	5,155
Investment Associates	55	55	55	55	55
Other Non-Current Assets	172	177	158	183	200
<b>Non-Current Assets</b>	<b>5,062</b>	<b>5,325</b>	<b>5,386</b>	<b>5,381</b>	<b>5,410</b>
<b>Total Assets</b>	<b>6,648</b>	<b>7,021</b>	<b>7,018</b>	<b>7,084</b>	<b>7,257</b>
Accounts Payable	150	141	143	156	171
Short-term Loans	980	1,592	1,162	1,254	1,350
Other Current Liabilities	168	206	180	204	219
<b>Current Liabilities</b>	<b>1,298</b>	<b>1,939</b>	<b>1,485</b>	<b>1,614</b>	<b>1,740</b>
Long-term Loans	2,079	1,631	2,027	1,937	1,887
Other Non-Current Liabilities	123	152	179	153	176
<b>Non-Current Liabilities</b>	<b>2,202</b>	<b>1,783</b>	<b>2,205</b>	<b>2,090</b>	<b>2,063</b>
<b>Total Liabilities</b>	<b>3,500</b>	<b>3,721</b>	<b>3,690</b>	<b>3,704</b>	<b>3,803</b>
Capital Stock	1,533	1,533	1,533	1,533	1,533
Additional paid-in Capital	350	350	350	350	350
Retained Earnings	252	343	379	431	505
Others	952	1,015	1,005	1,005	1,005
Minority Interest	61	59	60	60	60
<b>Total Equity</b>	<b>3,148</b>	<b>3,300</b>	<b>3,328</b>	<b>3,380</b>	<b>3,454</b>
<b>Total Liabilities &amp; Equity</b>	<b>6,648</b>	<b>7,021</b>	<b>7,018</b>	<b>7,084</b>	<b>7,257</b>

Sources: AGII, MPIS Research

Figure A-3

## CASH FLOW STATEMENTS

(Rp Billions)	2018	2019	2020F	2021F	2022F
Net Profit	99	100	36	56	80
Depreciation	259	278	301	317	329
Changes in NWC	(98)	(67)	51	(46)	(110)
Others	1	23	46	(50)	6
<b>Operating Cash Flow</b>	<b>261</b>	<b>334</b>	<b>435</b>	<b>277</b>	<b>305</b>
Investments	(422)	(536)	(382)	(287)	(341)
Others	-	-	-	-	-
<b>Investing Cash Flow</b>	<b>(422)</b>	<b>(536)</b>	<b>(382)</b>	<b>(287)</b>	<b>(341)</b>
Changes in Debt	485	164	(34)	2	46
Changes in Equity	(384)	61	(8)	-	-
Dividends	-	(10)	-	(4)	(6)
Others	1	1	-	-	-
<b>Financing Cash Flow</b>	<b>101</b>	<b>215</b>	<b>(42)</b>	<b>(1)</b>	<b>40</b>
<b>Net Cash Changes</b>	<b>(60)</b>	<b>14</b>	<b>11</b>	<b>(12)</b>	<b>4</b>

Sources: AGII, MPIS Research

Figure A-4

## RESULT COMPARISON

(Rp Billions)	3Q19	2Q20	3Q20	Q/Q	Y/Y	9M19	9M20	Y/Y	2020F	% of forecast
Revenues	565	486	547	12.5%	-3.3%	1,618	1,577	-2.5%	2,091	75.4%
Cost of Revenues	(312)	(285)	(321)	12.8%	2.9%	(891)	(903)	1.3%		
<b>Gross Profit</b>	<b>253</b>	<b>201</b>	<b>226</b>	<b>12.1%</b>	<b>-10.9%</b>	<b>727</b>	<b>674</b>	<b>-7.3%</b>	<b>934</b>	<b>72.1%</b>
Operating Expense	(151)	(147)	(135)	-7.8%	-10.5%	(433)	(430)	-0.7%		
<b>Operating Profit</b>	<b>102</b>	<b>55</b>	<b>91</b>	<b>65.5%</b>	<b>-11.5%</b>	<b>294</b>	<b>244</b>	<b>-17.0%</b>	<b>328</b>	<b>74.3%</b>
Finance Income	21	22	18	-20.1%	-15.8%	56	58	3.8%		
Finance Expense	(88)	(94)	(85)	-9.3%	-3.8%	(257)	(265)	2.9%		
Others	3	12	(5)	-139.4%	-263.1%	8	1	-81.3%		
<b>Pre-tax Profit</b>	<b>38</b>	<b>(4)</b>	<b>18</b>	<b>-530.4%</b>	<b>-51.4%</b>	<b>100</b>	<b>38</b>	<b>-61.5%</b>	<b>55</b>	<b>70.0%</b>
Taxes	(8)	2	(4)	-311.3%	-42.3%	(24)	(6)	-73.8%		
Minority Interest	1	0	1	1342.9%	36.9%	3	3	3.1%		
<b>Net Profit</b>	<b>29</b>	<b>(2)</b>	<b>13</b>	<b>-665.3%</b>	<b>-56.5%</b>	<b>73</b>	<b>30</b>	<b>-59.8%</b>	<b>36</b>	<b>81.6%</b>

Sources: AGII, MPIS Research

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