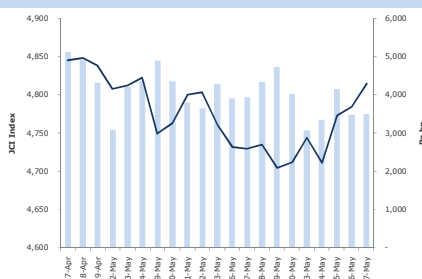


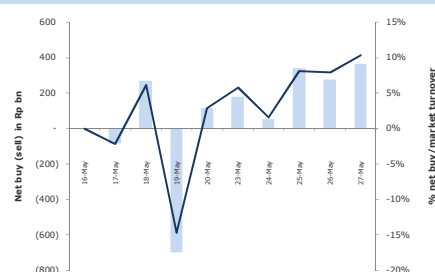
## Premier Insight

30 May 2016

JCI Index



Foreign net buy (sell)



## Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	4,815	0.6%	-7.7%	4.8%
LQ45	826	0.7%	-8.6%	4.3%
DJII	17,873	0.3%	-0.8%	2.6%
SET	1,413	0.8%	-5.6%	9.7%
HSI	20,577	0.9%	-25.0%	-6.1%
NKY	16,835	0.4%	-18.1%	-11.1%
FTSE	6,271	0.1%	-10.2%	0.5%
FSSTI	2,803	1.1%	-17.4%	-3.0%
EIDO	22	0.0%	-12.7%	7.6%

## Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	49.3	-0.3%	-14.2%
CPO/tonne	615.8	-0.8%	10.0%
Soy/bushel	10.7	0.6%	16.3%
Rubber/kg	1.6	0.0%	-11.7%
Nickel/tonne	8,379	0.3%	-34.4%
Tins/tonne	16,225	2.2%	4.3%
Copper/tonne	4,721	0.8%	-22.4%
Gold/try.oz (Spot)	1,213	-0.6%	1.9%
Coal/tonne*	53.2	4.3%	-11.5%
Corn/bushel	4.0	1.1%	17.9%
Wheat/bushel**	163.4	-0.4%	-16.6%

\*: 1 week change

\*\*: 1 month change

Source : Bloomberg

## PGN (PGAS IJ; Buy)

## More clarity on gas price

- Similar margins despite lower gas price
- FSRU Lampung resumes operation
- Higher contribution from Kalimantan Java Gas
- Reiterate BUY, new target price Rp3,100 (prev. Rp3,600)

**New presidential decree on gas price.** The Government issued Presidential decree No40/2016, which lowered the gas price for designated industries such as fertilizer, petro chemicals, oleochemical, iron, ceramics, glass and rubber gloves. To reduce the gas price, the government will subsidize pricing using revenues from production sharing. This way, margins to wellhead operators and gas pipelines will remain unaffected. The ruling indicates that gas prices above US\$6 per MMBTU to designated industries will be subject to review. The gas price will be determined based on economical returns of wellhead, domestic and international gas price, purchasing power of gas users and value added of such industries.

**FSRU Lampung flowing gas again.** The FSRU facility of PGN has started flowing two gas cargos, approximately a total of 6,000 mmscf, in Apr16 to be blended with conventional gas through a pipeline to deliver gas to various industries including the power sector. For FY16, FSRU Lampung will receive 8 cargos of LNG from Tangguh block. At current ICP of US\$34.2 in Mar16, the LNG cost should translate to about US\$7.42 per MMBTU, generating a margin of US\$1.58 per MMBTU if the gas is sold at US\$9.0 per MMBTU. The economics of LNG should pick up in line with higher gas demand triggering surcharges on volumes. Nevertheless, demand was relatively muted due to slower GDP growth.

**More contribution from Kalimantan Java transmission.** The Kalimantan Java transmission started operation in FY15 supplying gas to TambakLorok gas power plant. Last year, revenue was recorded at US\$22.9mn, while 1Q16's contribution reached US\$16.8mn, flowing 106mmscf gas. We expect revenue to reach US\$93.4mn as transmission volume hits 110mmscf in FY16 and transmission fees of US\$2.33 per MMBTU. Meanwhile, other transmission business under TGI and FSRU West Java is expected to remain stable with shared profit contribution of US\$71mn from both entities.

**Maintain our BUY call.** We remain with our BUY call on PGN, with a new target price of Rp3,100 to reflect implementation of new accounting standards and 1Q16 numbers. We base our target price on a DCF valuation that reflects cash flows from distribution, transmission and upstream oil assets. However, future development of oil assets is not reflected in our forecast due to limited information on wellhead development. The recent presidential decree ensures that distribution margin will remain intact.

Year To 31 Dec	2014A	2015A	2016F	2017F	2018F
Revenue(US\$Mn)	3,253	3,069	3,017	3,220	3,454
EBITDA(US\$Mn)	1,142	916	920	1,006	1,081
EBITDA Growth (%)	72.9	-19.8	0.5	9.4	7.4
Net Profit(US\$Mn)	711	401	421	484	550
EPS (US\$Cents)	2.9	1.7	1.7	2.0	2.3
EPS Growth (%)	-17.4	-43.6	5.0	14.9	13.6
Net Gearing (%)	25.0	53.1	45.2	37.8	27.4
PER (x)	6.9	12.3	11.7	10.2	8.9
PBV (x)	1.7	1.6	1.5	1.4	1.2
Dividend Yield (%)	9.1	5.5	2.8	3.4	3.9
EV/EBITDA (x)	4.4	6.5	6.3	5.7	5.0

Source : PGAS, IndoPremier

Share Price Closing as of : 25-May-2016

Refer to Important disclosures on the last of this report

## News & Analysis

### Corporates

**APLN:** Agung Podomoro Land (APLN IJ; Rp256; Buy) has accepted resignation letter from Ariesman Widjaja as President Director of the company. The resignation letter was submitted on 25 May 2016. Company will do general meeting (RUPS) on 3 June 2016 to discuss Ariesman's request. (Bisnis Indonesia)

*Comment: the resignation of Ariesman Widjaja might help company to regain its reputation after the bribery issue on reclamation project. However, the moratorium on reclamation project might delay most of company's pipeline and could impact profitability onwards.*

**RANC:** PT Supra Boga Lestari Tbk (RANC IJ; Rp520; Not Rated) plans to refocus on its core business competency in the supermarket business, targeting store opening of 2 Ranch Market stores in South Jakarta and 1 Farmers Market in Cikupa expected to start operation in 2Q16 and 3Q16. After trying out the convenience store business in 2013 with PT Bahagia Niaga Lestari operating under Ministop, the company decided to sell the wholly-owned subsidiary last year due to its unprofitability. Last year, RANC also closed down 2 Farmers Market Bogor and Ranch Market St Moritz that resulted in a loss of Rp17.16bn in FY15 despite growing its revenue by 13% yoy. This year, the company targets a Rp2.15tn revenue, growing at 12% through new store openings and renovations (capex at Rp40bn), maturing store growth, increasing membership of loyalty Trust Card, and e-commerce joint venture with PT Kresna Graha Investama to develop online shopping platform KeSupermarket.com set to launch in 3Q16. (Investor Daily)

### Markets & Sectors

**Beverage sector:** more than 600 companies in packaged beverages industry are threatened to shut down their businesses if the excise tax on plastic to be imposed. Considering the current slow economic condition, it would not be possible to pass on the higher production cost to the consumers. On average, 70% of the total production cost comes from plastic packaging. (Investor Daily)

**Property sector:** Indonesia and Japan government have started to plan port in Patimban, Subang, West Java. The port is estimated to have capacity of 7.5mn TEU and worth Rp40tn. The port is expected to cut logistic cost as it is strategically located. (Investor Daily)

*Comment: the building of the port will benefit Surya Semesta Internusa (SSIA IJ; Rp660; Not Rated) which has landbank in Subang despite its delayed sales. SSIA is now trading at 9.51x PE 2016*

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**INVESTMENT RATINGS**

BUY : Expected total return of 10% or more within a 12-month period  
HOLD : Expected total return between -10% and 10% within a 12-month period  
SELL : Expected total return of -10% or worse within a 12-month period

**ANALYSTS CERTIFICATION.**

The views expressed in this research report accurately reflect the analyst's personal views about any and all of the subject securities or issuers; and no part of the research analyst's compensation was, is, or will be, directly or indirectly, related to the specific recommendations or views expressed in the report.

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