18 JULY 2018

INDONESIA / CHEMICALS

BARITO PACIFIC BRPT IJ

BUY
FROM HOLD

TARGET PRICE	IDR2,100
CLOSE	IDR1,815
UP/DOWNSIDE	+15.7%
PRIOR TP	IDR2,000
CHANGE IN TP	5.01%

A new dawn

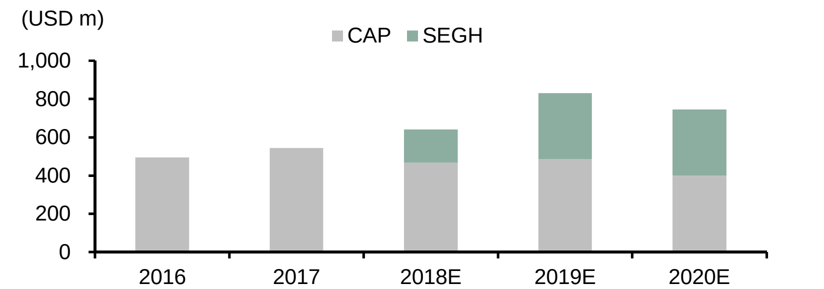
- **Raising TP to IDR2,100 on new valuation; upgrade to BUY**
  Following completion of the rights issue and acquisition of a majority stake in Star Energy, we incorporate valuations of Star Energy and Java 9 & 10 IPPs, which leads us to revise our revenue and earnings estimates for FY18-19 (see Exhibit 10 for details), raise our target price to IDR2,100 from IDR2,000, and upgrade our rating to BUY from Hold considering the relative upside.

- **Star Energy to diversify and stabilise earnings**
  The acquisition of Star Energy provides Barito Pacific with a second core business (power generation) that we believe will deliver a stable earnings stream. The acquisition price is equivalent to 2018E EV/EBITDA of 7.5x, below the peer average of 8.6x.

- **Long-term growth potential from new projects**
  With this major exercise completed, we expect Barito Pacific's next growth drivers to emerge over the next 12 months, from 1) PPA conclusion for the Java 9 & 10 IPP; and 2) FID conclusion for Chandra Asri's new naphtha cracker.

- **Major shareholder increases stake**
  Barito Pacific's major shareholder, Mr. Prajogo Pangestu, has increased his stake to 77% from 71% post the rights issue and by acquiring more shares in the open market, which we believe indicates his confidence in the company.

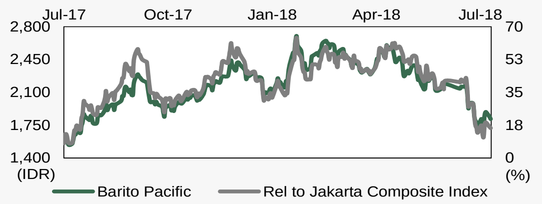
Operating profit breakdown (2016-20E)



Sources: Barito Pacific; BNP Paribas estimates

KEY STOCK DATA

YE Dec (USD m)	2017A	2018E	2019E	2020E
Revenue	2,453	2,786	3,027	2,952
Rec. net profit	118	99	133	103
Recurring EPS (USD)	0.0085	0.0060	0.0071	0.0055
Prior rec. EPS (USD)	0.0092	0.0069	0.0079	-
Chg. In EPS est. (%)	(7.7)	(12.8)	(9.9)	-
EPS growth (%)	(10.3)	(28.7)	17.5	(22.7)
Recurring P/E (x)	14.9	20.9	17.8	23.0
Dividend yield (%)	1.7	1.1	1.5	1.2
EV/EBITDA (x)	5.0	7.6	6.0	6.9
Price/book (x)	1.6	1.7	1.5	1.4
Net debt/Equity (%)	Neg.	61.6	52.6	48.7
ROE (%)	12.4	8.1	9.3	6.5



Share price performance	1 Month	3 Month	12 Month
Absolute (%)	(17.1)	(26.8)	16.3
Relative to country (%)	(15.3)	(21.5)	15.9

Next Results	September 2018
Mkt cap (USD m)	2,247
3m avg daily turnover (USD m)	3.3
Free float (%)	23
Major shareholder	Prajogo Pengestu (77%)
12m high/low (IDR)	2,700/1,540
3m historic vol. (%)	43.5
ADR ticker	-
ADR closing price (USD)	-
Issued shares (m)	17,792

Sources: FactSet Estimates; BNP Paribas estimates

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Our research is available on Thomson Reuters, Bloomberg, S&P Global, FactSet, RSRCHXchange and ONEaccess.

Investment thesis

We upgrade Barito Pacific (BP) to BUY from Hold with a new TP of IDR2,100 (from IDR2,000) as we reflect the valuations of newly acquired Star Energy, new IPP project in Java and higher TP of Chandra Asri, where we incorporate the valuation of the new cracker project. The acquisition of Star Energy provides BP with a second core business and diversifies earnings away from the cyclical chemical sector into more stable power generation.

Catalyst

Key positive catalysts could emerge from 1) concluding the PPA for the Java 9 & 10 IPP and 2) concluding the FID for Chandra Asri's new naphtha cracker.

Risk to our call

Downside risks to our SoTP-based TP include 1) a spike in oil prices, 2) weaker-than-expected chemical demand and 3) production disruptions at Star Energy from plant mechanical failure or natural disasters.

Company background

Barito Pacific owns controlling stakes in Chandra Asri, Indonesia's only naphtha cracker and in Star Energy, Indonesia's largest geothermal producer.

Key executives

	Age	Joined	Title
Prajogo Pengestu	73	1993	Chairman
Agus Pengestu	44	2013	President Director
Rudy Suparman	58	2017	Vice President Director
Salwati Agustina	57	2003	Director
Henky Susanto	61	2003	Independent Director

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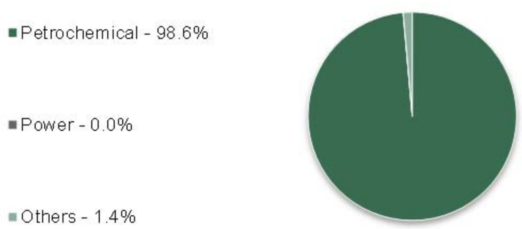
Principal activities (revenue, 2017)



Source: Barito Pacific

Event calendar

Date	Event
End-September	2Q18 results
1H18	PPA for Java 9 & 10 IPPs
Mid-2019	FID on Chandra Asri's new cracker

Key assumptions

(USD/t)	2016	2017	2018E	2019E	2020E
Ethylene-naphtha	687	700	640	620	630
HDPE-naphtha	634	664	640	640	660
PP-naphtha	642	571	580	620	640
BD-naphtha	750	1007	800	750	800

Source: BNP Paribas estimates

Earnings sensitivity

	--- Worst case ---		--- Base case ---		--- Best case ---	
	2018E	2019E	2018E	2019E	2018E	2019E
HDPE-naphtha (USD/t)	540	540	640	640	740	740
Change (%)	*(16)*	*(16)*			*16*	*16*
Net profit (USD m)	85	120	94	132	104	144
Change (%)	*(10)*	*(9)*			*10*	*9*

Source:; BNP Paribas estimates

- We estimate each USD100/t change in HDPE margins would impact net profit by 9-10% for 2018-19, all else being equal.
- We estimate each USD100/t change in PP margins would impact net profit by 13-14% for 2018-19, all else being equal.
- We estimate each USD100/t change in BD margin would impact net profit by 4-5% for 2018-19, all else being equal.

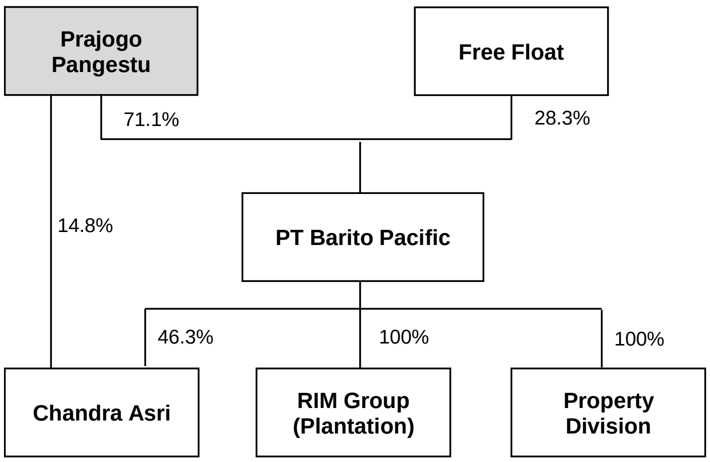
A new dawn

Rights issue and acquisition of Star Energy completed

In June 2018, Barito Pacific (BP) completed its rights issue process and the acquisition of a 66.67% stake in Star Energy (SEGH), Indonesia's leading geothermal power producer. Key details of these corporate actions are:

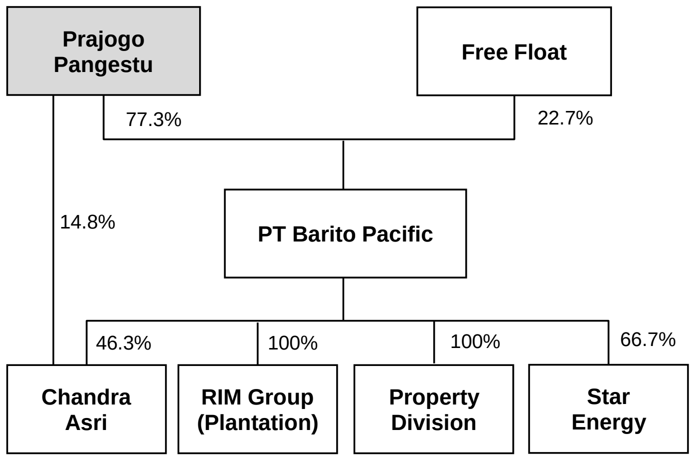
- BP issued a total of 3.8b new shares at IDR2,330/share, raising IDR8.9t or USD623m. A total of 958m warrants were also issued, which are exercisable from 1 July 2019 to 30 June 2021, at strike prices of IDR1,864 and IDR2,330/share.
- Mr Prajogo Pangestu, the major shareholder of BP, fully subscribed to his entitlement of IDR7.4t and made an additional subscription of IDR1.4t, raising his stake in BP to 77.3% from 71.1%.
- BP's acquisition of SEGH was completed on 7 June, with BP paying IDR7.4t (cUSD520m), representing the remaining consideration of the total acquisition price of USD755m.
- BP's acquisition price of SEGH is equivalent to an EV/EBITDA of 9.1x in 2017 and 7.5x in 2018E, which we regard as fair compared with the 2018E regional peer average EV/EBITDA of 8.6x. BCPG (BCPG TB, Not rated), Thailand's largest renewable power company, acquired a 33.33% stake in SEGH in July 2017 for USD357m, equivalent to a similar 2017 EV/EBITDA of 8.9x.

Exhibit 1: BP shareholding structure (previous)



Source: Company

Exhibit 2: BP shareholding structure (current)



Source: Company

SEGH is Indonesia's leading geothermal power producer, and in partnership with EGCO, Mitsubishi Corp and Ayala, has a controlling stake in three projects in Java with a combined capacity of 875MW and 473MW on a consolidated and net basis towards SEGH respectively, making it the largest geothermal producer in Indonesia and the third largest globally.

SEGH's power assets have a good track record of reliable performance and steady profitability. SEGH is contracted to provide base-load power to Perusahaan Listrik Negara (PLN), the national electricity company of Indonesia, under take-or-pay terms and these energy sales contracts' end dates are still a long way off, with the earliest agreement expiring in 2040.

Historically, all three power plants have run at capacity factors of above 90%. The only major incident in the past five years was a landslide that halted operations at the Wayang Windu plant from May-September 2015, causing the capacity factor to fall to 65% in 2015.

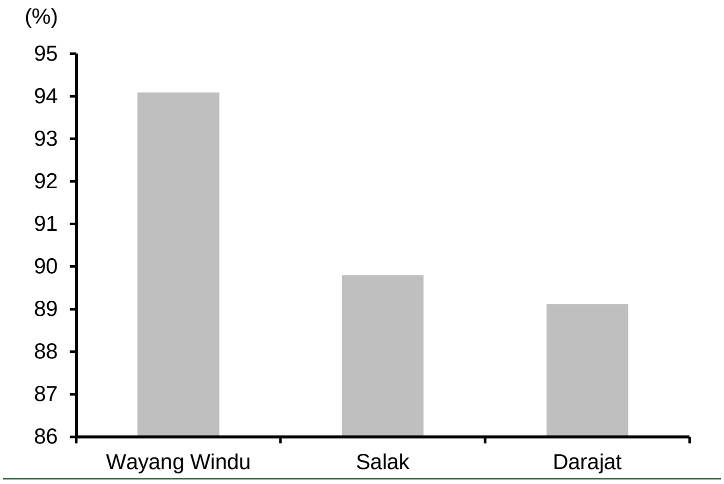
Due to their strong operational performance, these power plants have been able to generate stable annual EBITDA of USD82m-140m each in the past three years. With annual maintenance capex of up to USD15m each in the same time frame, these plants have generated strong FCF.

Exhibit 3: Summary of SEGH's geothermal power plants

Asset	Unit	Capacity (MW)	COD	Expiry	Sales	Current tariff (US cts/KWh)	Take-or-pay (%)	2016 EBITDA (USD m)
Wayang Windu	Unit 1	110	2000			9.6		
	Unit 2	117	2009	2052	Electricity	9.6	95	145
	Unit 3	60	2024			N/A		
Salak	Unit 1-3	180	1994-97	2040	Steam	6.2	95	141
	Unit 4-6	197	1997		Electricity	7.2	90	
Darajat	Unit 1	55	1994	2047	Steam	5.1	80	92
	Unit 2-3	216	2000-07		Electricity	6.4-7.1	95	

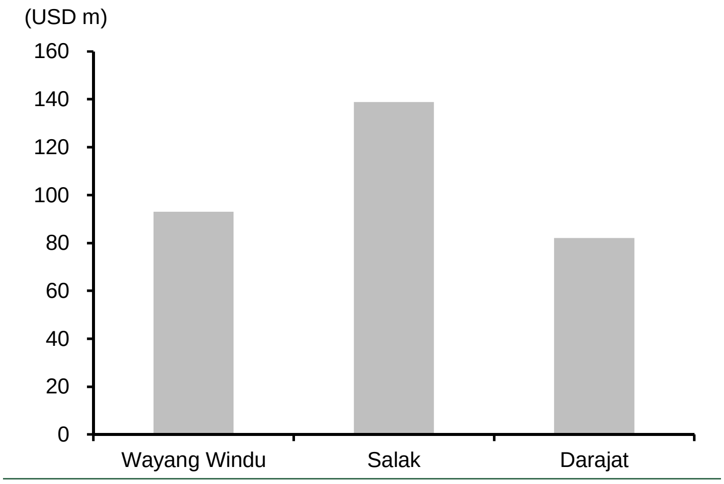
Source: Company

Exhibit 4: Historical 7-yr average capacity factor



Source: Company

Exhibit 5: Historical 3-year average EBITDA (per annum)



Source: Company

Exhibit 6: Key operational and financial metrics of SEGH assets

	2015	2016	2017
Capacity factor (%)			
Wayang Windu	65	98	98
Salak	91	88	88
Darajat	90	88	87
EBITDA (USD m)			
Wayang Windu	50	142	152
Salak	139	138	116*
Darajat	77	90	76*
Total	262	372	344
Realized electricity tariff (US cents/kWh)			
Wayang Windu	6.21	8.86	9.51
Salak	7.14	7.01	7.16
Darajat	6.62	6.75	6.99

* Represents EBITDA for Apr-Dec 2017
Source: Company

Chandra Asri (CAP) – capacity expansion balances weaker margins

In 2018, rising oil prices and weakening China demand have led chemical margins sequentially lower from 1Q18 to 3Q18. We expect ethylene and PE margins to decline over 2H18–2019 as new US crackers ramp up production, and for PP, BD and SM margins to remain relatively stable.

We believe that CAP's steady expansion program should be able to offset the weaker margin outlook. With a total land size of 134 hectares in Cilegon, West Java, CAP has room for expansion, and has announced the projects listed below for a total cost of USD1.07b. Altogether, we expect these to generate additional revenue of USD300m pa (based on BNPP chemical price projections) when fully complete, equivalent to 16% of its total revenue in 2016.

The two major projects are: 1) the synthetic rubber project, a partnership with Michelin, with production capacity of 120ktpa which is scheduled to start in 3Q18; and 2) the PE project, with combined HDPE and LLDPE capacities of 400ktpa, which will further enhance CAP's vertical integration into ethylene derivatives.

Exhibit 7: CAP's expansion plan

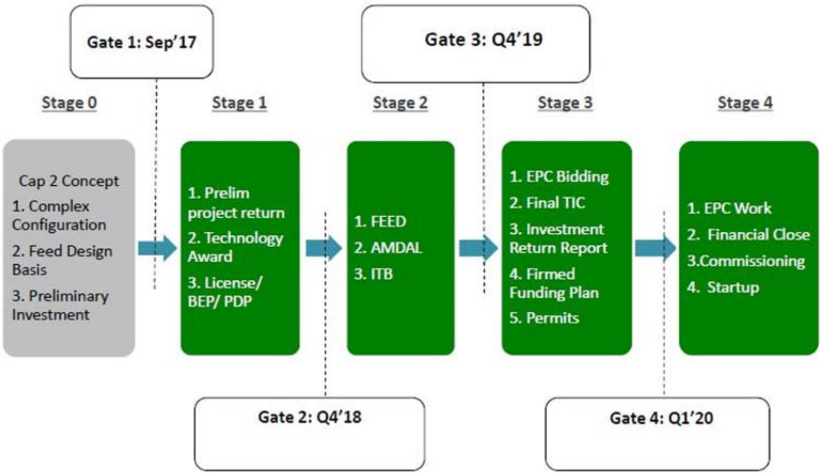
Category	Product	New capacity ('000 tpa)	Cost (USD m)	Start up	Annual revenue (USD m)
Debottlenecking	Butadiene	37	42	2Q18	54
	PP	110	40	3Q19	98
	Ethylene	40	48	1Q20	48
Expansion	SBR*	120	570	3Q18	215
	PE	400	356	4Q19	516
	MTBE	130	114	3Q20	104
	Butene 1	43			32

* 45% JV. Source: PT Chandra Asri Petrochemical TBK

CAP is making steady progress towards the construction of a second petrochemical complex in Indonesia at a site adjoining the current complex. CAP is aiming for an ethylene capacity of 1.1mtpa through this complex, which it expects to cost USD4b-5b.

CAP is well placed to proceed with this project as it has secured over 200 hectares of land adjoining the present plant, which would afford it access to harbour facilities. Technology licensors have already been awarded for the olefins, aromatics, butadiene and polyolefin units, and the company expects to reach a final investment decision (FID) in mid-2019.

Exhibit 8: Chandra Asri 2nd naphtha cracker master schedule



Source: Chandra Asri

To defray the cost of the project, CAP has said it is in discussions with various third parties as potential partners. Siam Cement could potentially be a partner, as it already owns a 30% stake in CAP, but at this time has not announced any such intentions. We would expect CAP to maintain a controlling stake of over 50% to enable consolidation.

Exhibit 9: Second naphtha cracker capacity – Chandra Asri

	Capacity ('000 tpa)	Technology licensor
Ethylene	1,100	CB & I
Propylene	600	CB & I
Butadiene	175	BASF / CB & I
BTX	648	GTC
HDPE	50	Texplore
LDPE	300	LyondellBasell
PP	450	LyondellBasell

Source: Chandra Asri

Forging ahead with Java IPP project

On 18 August 2017, BP and PT Indonesia Power (IP) established a joint venture, PT Indo Raya Tenaga (IRT), targeting to build two new coal-fired power plants with a combined capacity of 2,000MW in Suralaya, Banten province, at an approximate cost of USD3.1b (down from its initial estimate of USD3.5b). BP has a 49% stake in IRT, with IP owning the remaining 51%.

IRT can be confident of securing this project, as a conditional power purchase agreement (PPA) has been signed with the following conditions:

- Under this Java 9 & 10 PPA, the project is contracted to PLN for 25 years.
- PLN undertakes fuel supply risk in relation to the project.
- PLN purchases power on a take-or-pay basis.

IRT has already invited bidders to participate in the bidding process for the EPC project, with a financial close targeted for 1Q19 and for commercial operations to begin in 2023. Based on our assumptions of an IRR of 12% and WACC of 9%, we calculate the net present value (NPV) of the project to be USD770m.

Consolidating Star Energy financials

To incorporate BP's acquisition of a 66.67% stake in SEGH on 7 June 2018, we make the following changes to BP's financials.

Exhibit 10: Changes to key financials – BP

	Unit	-------------------- New --------------------			-------------------- Old --------------------			---------------- *Change (%)* ----------------		
		2018E	2019E	2020E	2018E	2019E	2020E	*2018E*	*2019E*	*2020E*
Revenue	USD m	2,786	3,027	2,952	2,425	2,639	-	*15*	*15*	-
EBITDA	USD m	641	843	771	440	486	-	*46*	*73*	-
Net profit	USD m	99	133	103	97	110	-	*2*	*21*	-
EPS	USD	0.0061	0.0075	0.0058	0.0069	0.0079	-	*(13)*	*(10)*	-
Net cash/(debt)	USD m	(1,519)	(1,496)	(1,532)	(7)	(86)	-	*nm*	*nm*	-

Source: BNP Paribas estimates

The key developments to note are:

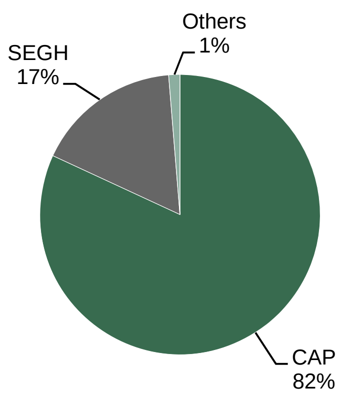
- We raise our BP EBITDA estimates for 2018-19 by 46-73% to reflect the contributions from SEGH, which we estimate to generate EBITDA of around USD400m pa in that period.
- We raise BP's net profit for 2018-19E by 2-21% to reflect the contributions from SEGH. The increase in net profit is smaller than the increase in EBITDA due to SEGH's high tax rate of c54% and significant minority interests, since SEGH has stakes of 52-60% in the three key operating geothermal plants.

- We lower EPS for 2018E by 13% and for 2019E by 10% to reflect the diluting impact of 3.8b new shares issued, equivalent to an additional share base of 27.4%.

- We raise BP's net debt to cUSD1.5b for 2018-19E from close to zero debt previously. This debt is held by Star Energy in the form of bank loans due in December 2021 based on LIBOR. The interest rate has been mostly hedged at present levels, which we estimate to result in SEGH paying annual interest expenses of cUSD110m.

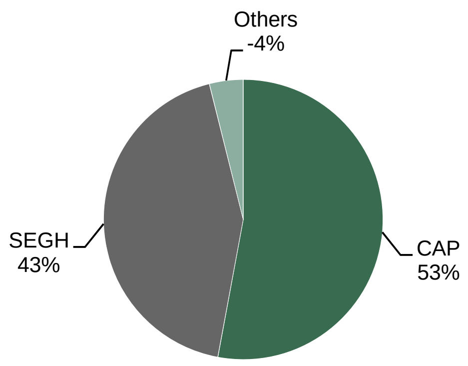
With the acquisition of the SEGH stake BP now has a second core business, which helps to diversify BP's earnings from the cyclical chemical sector into more stable power generation where long-term growth prospects are good; PLN expects power demand to double over the next ten years.

Exhibit 11: 2019 revenue breakdown – BP



Source: BNP Paribas estimates

Exhibit 12: 2019 EBITDA breakdown – BP



Source: BNP Paribas estimates

Upgrade to BUY with new TP of IDR2,100

We raise our SoTP-based TP to IDR2,100 (from IDR2,000) as we incorporate the valuation of the SEGH stake and Java 9 & 10 projects. Our key underlying assumptions are:

- We value CAP using an ROCE methodology, based on an across-the-cycle 2017-19E ROCE of 21% (from a 2017E ROCE of 26.1%), WACC of 8.5% (unchanged) and terminal growth rate of 1% (from 1.5%, as we now separately value the new cracker) and newly value the new cracker project based on an IRR of 12.5% and WACC of 8%. We apply a holding company discount of 25%, the median of the past seven years of BP's discount to CAP.

- We value SEGH using a 9x 2018E EBITDA multiple, the average of regional peers, and apply a similar holding company discount of 25%.

- We value the Java 9 & 10 project based on an IRR of 12% and WACC of 9%, which results in a project valuation of USD771m and apply a similar holding company discount of 25%.

This results in a valuation of BP of IDR2,100, and as there is more than 10% upside potential from the current share price, we upgrade our rating to BUY from Hold.

Exhibit 13:TP derivation – BP

	% stake	Unit	Valuation	Comments
Chandra Asri	46.3	USD m	2043	TP of IDR4,750, 25% holdco discount
Star Energy	66.7	USD m	1772	9x 2018E EBITDA, 25% holdco discount
Java 9 & 10	49.0	USD m	283	12% IRR, 9% WACC and 25% holdco discount
Net cash/(debt)		USD m	(1,528)	End-18E
Implied market capitalisation		USD m	2570	
Target price		IDR	2100	

Source: BNP Paribas estimates

Exhibit 14: Key financials of geothermal peers

	BBG code	Price	Mark. cap	----------- P/E -----------		---------- P/BV ----------		------- EV/EBITDA -------	
				2017	2018E	2017	2018E	2017	2018E
		(LC)	(USD m)	(x)	(x)	(x)	(x)	(x)	(x)
EDC	EDC PM	5.19	1,818	11.1	10.2	1.8	1.6	7.5	7.3
Ormat	ORA US	51.81	2,622	22.7	21.4	2.0	1.9	10.4	9.9
Mercury	MCY NZ	3.31	3,053	26.3	23.6	2.7	1.8	10.8	10.4
Aboitiz	AP PM	36.5	5,021	12.7	11.5	2.3	2.1	11.3	10.4
Polaris	PIF CN	13.3	159	59.6	12.5	0.8	0.8	5.8	4.9
Average				**26.5**	**15.9**	**1.9**	**1.6**	**9.2**	**8.6**

As of 17 Jul 2018 close
Sources: Bloomberg consensus estimates; Companies

It is difficult to find any direct comparisons with BP due to its unique combination of chemical and geothermal assets. In our universe of petrochemical companies, we believe the company most similar to BP is GS Holdings (GSH) in South Korea, as GSH owns a 50% stake in GS Caltex (South Korea's second largest refinery) and stakes in retail, power and E&P assets. We believe GSH would present a good roadmap for BP as a holding company that has developed strong operating assets and pays an attractive dividend.

CAP and BP trade at premiums to their peers. We believe this stems primarily from CAP's valuation premium, which we think can be justified as CAP is: 1) the only naphtha cracker in Indonesia; 2) an Indonesian company operating in USD; and 3) the 12th largest component of the Jakarta Composite Index. In this context, BP's market value, where we estimate that CAP constitutes c78% of SoTP, does not appear so expensive, in our view.

Exhibit 15: Regional peer comparison

Company	BBG code	Mkt.cap	Price	-------- P/E --------		------- P/BV -------		------- ROE -------		----- Div yield -----		--- EV/EBITDA ---	
				18E	17E	18E	19E	18E	19E	18E	19E	18E	19E
		(USD b)	(LC)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)	(x)	(x)
Chemicals													
CAP	TPIA IJ	6.3	5,075	24.1	22.5	3.5	3.2	15.1	14.8	1.7	1.8	13.0	13.0
Hanwha Chem	009830 KS	3.0	20,600	3.7	3.9	0.5	0.4	11.3	9.7	2.0	2.1	5.5	5.2
Lotte Titan	TTNP MK	2.9	5.13	11.0	9.7	0.9	0.9	21.5	21.5	3.9	4.4	4.5	4.3
KPIC	006650 KS	1.4	247,500	5.0	4.7	0.9	0.8	15.5	15.5	1.9	2.0	3.3	3.2
Holding co													
GSH	078930 KS	4.3	51,200	5.5	6.2	0.6	0.5	11.0	9.0	3.9	4.3	5.9	6.2
BP	BRPT IJ	2.2	1,815	20.9	17.8	1.7	1.5	8.1	9.3	1.1	1.5	7.6	6.0
Renewables													
Energy Dev	EDC PM	1.8	5.19	10.2	8.7	1.6	1.4	15.4	17.0	4.3	4.7	7.3	6.7
BCPG	BCPG TB	1.0	16.7	16.7	13.5	2.1	2.0	16.6	17.8	3.2	3.6	17.8	14.6

As of 17 Jul 2018
Sources: Bloomberg consensus estimates; Companies

The key risks to our views for chemical contributions include: 1) a severe ethylene down cycle; 2) a sharp increase in oil prices; 3) a significant decline in China coal prices; and 4) weaker demand from a potential trade war between China and the US.

The key risks to our views for SEGH include: 1) mechanical failure at the plant; 2) production disruptions from natural disasters; and 3) quantity and quality of geothermal resources coming in lower or weaker than expected.

Appendix

SEGH financials

In 2017, SEGH generated a record net profit of USD50m from continuing operations, a strong turnaround from loses of USD4m in 2015, which takes into account the following factors:

- In 2015, operations at Wayang Windu (the sole operating asset of SEGH in 2015) experienced a four-month shutdown due to a landslide.
- In April 2016, Wayang Windu received a tariff increase of USc3.11/kWh effective April 2016.
- SEGH's acquisition of the Salak and Darajat plants from Chevron was completed on 31 March 2017. Therefore, SEGH has only accounted for nine months of earnings contributions from Salak and Darajat during 2017.
- In July 2017, SEGH restructured its operations, resulting in the oil & gas business which includes stakes in the Kakap PSC being classified as discontinued operations.
- Finance costs sharply rose in 2017 as SEGH borrowed around USD1.25b to acquire the Salak and Darajat assets from Chevron.

Going forward, we expect earnings to remain on a steady path since we do not anticipate any tariff increases near term, while the next major capacity expansions are in 2023 when Salak Unit 7 (55MW) starts up and in 2024 when Wayang Windu Unit 3 (60MW) starts up.

Exhibit 16: Income statement – SEGH

(USD m)	2015	2016	2017	2018E	2019E	2020E
Sales	69	165	423	519	519	527
Gross profit	22	112	294	354	353	356
EBITDA	44	139	350	402	402	408
Finance costs	(22)	(23)	(111)	(120)	(120)	(120)
Profit before tax	(0)	90	183	234	233	236
Income tax	(8)	(40)	(105)	(126)	(125)	(127)
Minorities	3	(20)	(41)	(53)	(53)	(53)
Net profit (continuing operations)	(4)	30	50	54	54	55
Ratios (%)						
Gross margin	31	68	70	68	68	68
EBITDA margin	64	84	80	77	77	77
Tax rate	na	44	57	54	54	54
Growth (y-y %)						
EBITDA	na	217	142	19	0	1
Net profit	na	na	63	10	0	1

Sources: Company; BNP Paribas estimates

At end-2017, SEGH's consolidated balance sheet significantly changed from the previous year due to the acquisition of the Salak and Darajat for an aggregate price of USD2b on 31 March 2017, which resulted in these key changes:

- An increase in intangibles to USD1.685b at end-17, as a result of goodwill recognised from the acquisition.

Net debt rising to USD1.576b at end-17, as a result of the higher debt incurred to fund the acquisition.

Exhibit 17: Balance sheet – SEGH

(USD m)	2015	2016	2017	2018E	2019E	2020E
Inventories	9	9	16	19	19	19
Trade receivables	39	52	116	140	140	142
Cash	93	119	141	226	303	373
Others	6	158	27	27	27	27
Total current assets	146	337	299	411	489	561
PP&E	69	112	439	432	457	489
Non-current funds	368	305	461	461	461	461
Oil & Gas properties	48	61	0	0	0	0
Operating lease	354	341	319	319	319	319
Intangibles	11	10	1685	1685	1685	1685
Others	0	0	28	28	28	28
Total non-current assets	850	829	2931	2924	2949	2981
Trade payables	12	23	4	4	4	4
Borrowings	24	362	132	132	132	132
Others	33	52	82	82	82	82
Total current liabilities	69	437	218	219	219	219
Deferred tax liabilities	127	152	747	747	747	747
Borrowings	344	82	1,584	1,584	1,584	1,584
Others	22	24	25	25	25	25
Total non-current liabilities	492	257	2,356	2,356	2,356	2,356
Shares capital	840	840	840	840	840	840
Reserves	(427)	(399)	(525)	(472)	(420)	(367)
Minorities	23	31	342	393	444	495
Shareholders' equity	435	472	657	760	864	968
Net cash/(debt)	(275)	(325)	(1,576)	(1,491)	(1,413)	(1,343)
New working capital	36	38	129	154	154	157
Ratios (%)						
Net gearing	67	74	500	405	336	284
ROCE	13	57	53	39	37	36
ROE	(2)	7	13	15	13	12

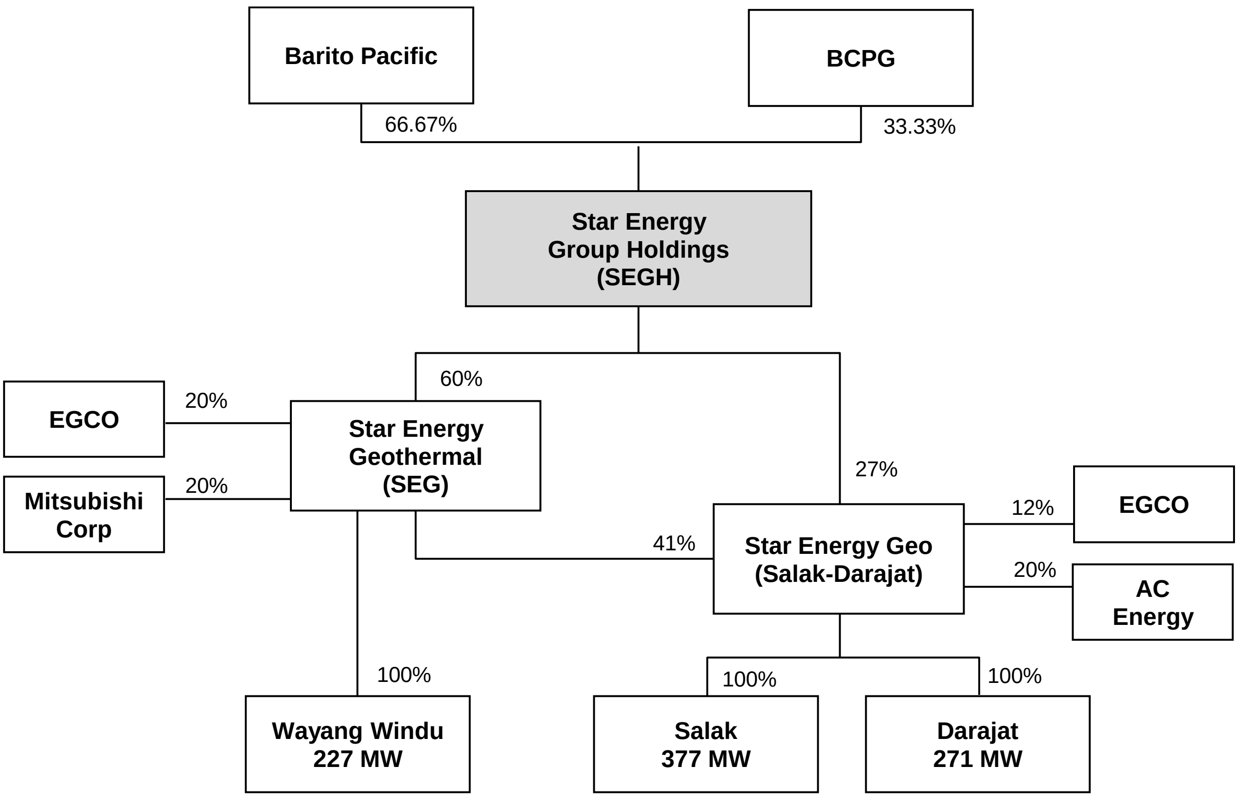
Sources: Company; BNP Paribas estimates

SEGH milestones & organisation structure

The key milestones for SEGH are:

- SEGH entered the geothermal business with the 100% acquisition of Wayang Windu in 2005, which then operated a 110MW geothermal plant that started up in 2000.
- In June 2007, Star Energy Investment Limited (SEIL), which is 60% owned by Mr Prajogo Pangestu, acquired a 71% stake in SEGH for USD300m, with Ashmore Investment acquiring the remaining 29% stake.
- In 2009, Mitsubishi Corp acquired a 20% stake in Star Energy Geothermal (SEG), which operates Wayang Windu for USD200m, reducing SEGH's stake in Wayang Windu to 80%.
- In 2014, EGCO, Thailand's largest independent power producer, acquired a 20% stake in SEG for USD215m, reducing SEGH's stake in Wayang Windu to 60%.
- In March 2017, a consortium consisting of SEGH, EGCO and AC Energy acquired Chevron's geothermal assets in Indonesia for USD2b, which consist of two plants with a combined capacity of 648MW, equivalent to an acquisition price on an EV basis of USD3.5m/MW.
- In July 2017, BCPG, Thailand's leading renewable power company, acquired a 33.3% stake in SEGH for USD357m from SEIL, equivalent to an acquisition price on an EV basis of USD4.3m/MW.

Exhibit 18: Star Energy organisation structure



Effective stake (%)	Wayang Windu	Salak	Darajat
SEGH	60.0	51.6	51.6
EGCO	20.0	20.2	20.2

Source: Company

Financial statements

Barito Pacific

Profit and Loss (USD m) Year Ending Dec	2016A	2017A	2018E	2019E	2020E
Revenue	1,961	2,453	2,786	3,027	2,952
Cost of goods sold	(1,374)	(1,818)	(2,055)	(2,091)	(2,086)
Gross profit	**587**	**635**	**732**	**936**	**866**
Other operating income	-	-	-	-	-
Operating costs	(79)	(95)	(91)	(93)	(95)
Operating EBITDA	**508**	**540**	**641**	**843**	**771**
Depreciation	(100)	(95)	(96)	(117)	(132)
Goodwill amortisation	0	0	0	0	0
Operating EBIT	**408**	**445**	**544**	**726**	**639**
Net financing costs	(23)	(51)	(116)	(166)	(162)
Associates	(5)	(9)	(3)	6	6
Recurring non operating income	(5)	(9)	(3)	6	6
Non recurring items	0	0	0	0	0
Profit before tax	**380**	**385**	**425**	**566**	**483**
Tax	(100)	(106)	(152)	(215)	(195)
Profit after tax	**280**	**280**	**273**	**351**	**288**
Minority interests	(148)	(162)	(174)	(218)	(185)
Preferred dividends	0	0	0	0	0
Other items	-	-	-	-	-
Reported net profit	**132**	**118**	**99**	**133**	**103**
Non recurring items & goodwill (net)	**0**	**0**	**0**	**0**	**0**
Recurring net profit	**132**	**118**	**99**	**133**	**103**

Per share (USD)					
Recurring EPS *	0.0094	0.0085	0.0060	0.0071	0.0055
Reported EPS	0.0094	0.0085	0.0062	0.0075	0.0058
DPS	0	0.0021	0.0014	0.0019	0.0015
Diluted shares (used to calculate per share data)	13,959.79	13,959.79	16,354.66	18,749.54	18,749.54
Growth					
Revenue (%)	39.5	25.1	13.6	8.6	(2.5)
Operating EBITDA (%)	258.2	6.3	18.6	31.6	(8.5)
Operating EBIT (%)	531.9	9.0	22.3	33.4	(12.0)
Recurring EPS (%)	n/m	(10.3)	(28.7)	17.5	(22.7)
Reported EPS (%)	n/m	(10.3)	(26.5)	20.2	(22.7)
Operating performance					
Gross margin inc depreciation (%)	24.9	22.0	22.8	27.1	24.9
Operating EBITDA margin (%)	25.9	22.0	23.0	27.8	26.1
Operating EBIT margin (%)	20.8	18.1	19.5	24.0	21.7
Net margin (%)	6.7	4.8	3.5	4.4	3.5
Effective tax rate (%)	26.4	27.4	35.7	38.0	40.4
Dividend payout on recurring profit (%)	0.0	25.4	23.4	26.8	26.8
Interest cover (x)	17.7	8.5	4.7	4.4	4.0
Inventory days	51.2	44.6	48.6	55.6	57.3
Debtor days	19.4	27.2	34.2	38.4	40.5
Creditor days	76.7	83.2	91.6	99.9	103.0
Operating ROIC (%)	19.5	21.7	23.0	22.1	15.9
ROIC (%)	17.4	18.0	12.9	11.4	9.0
ROE (%)	16.9	12.4	8.1	9.3	6.5
ROA (%)	12.3	10.2	7.0	7.2	6.0

*Pre exceptional pre-goodwill and fully diluted

Sources: Barito Pacific; BNP Paribas estimates

Financial statements

Barito Pacific

Cash Flow (USD m) Year Ending Dec	2016A	2017A	2018E	2019E	2020E
Recurring net profit	132	118	99	133	103
Depreciation	100	95	96	117	132
Associates & minorities	5	9	3	(6)	(6)
Other non-cash items	167	307	282	(198)	170
Change in working capital	(37)	(183)	(109)	(3)	16
Cash flow from operations	**368**	**346**	**372**	**43**	**416**
Capex - maintenance	-	-	-	-	-
Capex - new investment	(133)	(211)	(321)	(459)	(469)
Net acquisitions & disposals	0	(176)	(2,121)	0	0
Other investments (net)	22	83	17	25	17
Cash flow from Investing	**(111)**	**(303)**	**(2,425)**	**(434)**	**(452)**
Dividends paid	-	-	-	-	-
Equity finance	0	371	638	0	0
Debt finance	(72)	168	1,584	0	0
Other financing cash flows	-	-	-	-	-
Cash flow from Financing	**(72)**	**539**	**2,222**	**0**	**0**
Non recurring cash flows	-	-	-	-	-
Other adjustments	19	26	0	0	0
Net other adjustments	**19**	**26**	**0**	**0**	**0**
Movement in cash	**203**	**608**	**169**	**(390)**	**(37)**
Per share (USD)					
Free cash flow to firm (FCFF)	295.28	102.00	(1,931.58)	(216.80)	133.18
Free cash flow to equity (FCFE)	203.41	236.65	(469.20)	(390.17)	(36.66)
FCFF per share	0.02	0.0073	(0.12)	(0.01)	0.0075
FCFE per share	0.01	0.02	(0.03)	(0.02)	(0.0021)
Recurring cash flow per share	0.03	0.04	0.03	0.0026	0.02

Balance Sheet (USD m) Year Ending Dec	2016A	2017A	2018E	2019E	2020E
Tangible fixed assets (gross)	1,726	1,855	2,518	2,880	3,233
Less: Accumulated depreciation	(81)	(90)	(96)	(117)	(132)
Tangible fixed assets (Net)	**1,646**	**1,765**	**2,421**	**2,764**	**3,100**
Intangible fixed assets (Net)	**77**	**82**	**2,086**	**2,086**	**2,086**
Long-term financial assets	-	-	-	-	-
Invest. in associates & subsidiaries	106	273	270	275	281
Cash & equivalents	334	942	1,110	720	684
A/C receivable	148	217	305	332	323
Inventories	202	242	305	332	323
Other current assets	57	122	122	122	122
Current assets	**742**	**1,523**	**1,843**	**1,505**	**1,452**
Other assets	-	-	-	-	-
Total assets	**2,571**	**3,643**	**6,620**	**6,631**	**6,920**
Common equity	842	1,071	1,352	1,510	1,630
Minorities etc	607	946	1,113	1,331	1,516
Total Shareholders' equity	**1,448**	**2,017**	**2,465**	**2,842**	**3,146**
Long term debt	404	572	2,156	2,156	2,156
Other long-term liabilities	174	181	928	928	928
Long-term liabilities	**578**	**753**	**3,084**	**3,084**	**3,084**
A/C payable	346	483	549	596	581
Short term debt	133	341	473	60	60
Other current liabilities	65	49	49	49	49
Current liabilities	**545**	**873**	**1,071**	**705**	**691**
Total liabilities	**2,571**	**3,643**	**6,620**	**6,631**	**6,920**
Net working capital	(137)	(293)	(339)	80	78
Invested capital	1,692	1,828	4,439	5,205	5,546

* includes convertibles and preferred stock which is being treated as debt

Per share (USD)	2016A	2017A	2018E	2019E	2020E
Book value per share	0.06	0.08	0.08	0.08	0.09
Tangible book value per share	0.05	0.07	(0.04)	(0.03)	(0.03)
Financial strength					
Net debt/Equity (%)	14.0	Neg.	61.6	52.6	48.7
Net debt/total assets (%)	7.9	Neg.	22.9	22.6	22.1
Current ratio (x)	1.4	1.7	1.7	2.1	2.1
CF interest cover (x)	15.8	9.7	n/a	1.4	3.7

Valuation	2016A	2017A	2018E	2019E	2020E
Recurring P/E (x) *	13.4	14.9	20.9	17.8	23.0
Recurring P/E @ target price (x) *	15.5	17.3	24.2	20.6	26.7
Reported P/E (x)	13.4	14.9	20.3	16.9	21.9
Dividend yield (%)	0.0	1.7	1.1	1.5	1.2
P/CF (x)	4.4	3.3	4.2	48.7	5.6
P/FCF (x)	8.7	7.5	n/a	n/a	n/a
Price/book (x)	2.1	1.6	1.7	1.5	1.4
Price/tangible book (x)	2.3	1.8	n/a	n/a	n/a
EV/EBITDA (x) **	5.1	5.0	7.6	6.0	6.9
EV/EBITDA @ target price (x) **	5.6	5.5	8.2	6.4	7.3
EV/invested capital (x)	1.5	1.5	1.1	1.0	1.0

* Pre exceptional & pre-goodwill and fully diluted ** EBITDA includes associate income and recurring non operating income

Sources: Barito Pacific; BNP Paribas estimates

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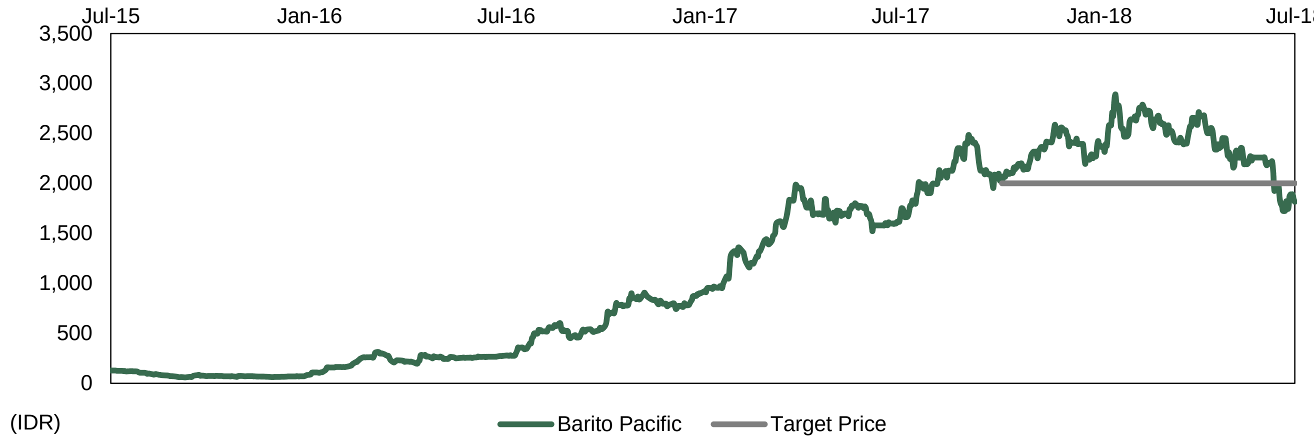
Barito Pacific (BRPT IJ)



Date	Rating	Target price
19-Oct-17	Hold	1,999.73

Yong Liang Por started covering this stock from 19 Oct 2017
Price and TP are in local currency
Sources: FactSet; BNP Paribas

Company	Ticker	Price	Rating	Valuation & Risks
Barito Pacific	BRPT IJ	IDR 1,815	Buy	Downside risks to our SoTP-based TP include 1) a spike in oil prices, 2) weaker-than-expected chemical demand and 3) production disruptions at Star Energy from plant mechanical failure or natural disasters

Sources: Factset, BNP Paribas

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