

## BUY (Maintain)

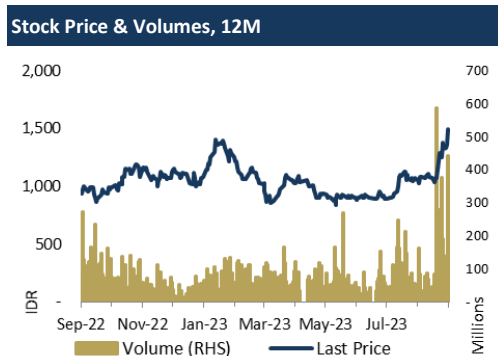
**Target Price (IDR)** 2,200 (from 1,600)  
**Potential Upside (%)** 42.9

Price Comparison	
Cons. Target Price (IDR)	1,360
SSI vs. Cons. (%)	161.8

Stock Information	
Last Price (IDR)	1,540
Shares Issued (Mn)	25,136
Market Cap. (IDR Bn)	38,710
52-Weeks High/Low (IDR)	1,580/840
3M Avg. Daily Value (IDR Bn)	114.0
Free Float (%)	22.5

Shareholder Structure:	
PT Medco daya abadi lestari	51.5
Diamond Bridge PTE. LTD	21.46
Masyarakat	26.4

Stock Performance				
(%)	YTD	1M	3M	12M
Absolute	51.7	46.0	75.0	63.8
JCI Return	1.2	0.8	3.2	(5.2)
Relative	50.5	45.2	71.8	69.1



**Company Background**  
PT Medco Energi Internasional Tbk or MedcoEnergi is an Indonesian oil and gas company. The company is engaged in the exploration for and production of oil & gas, services, power, chemicals, rental of properties, trading and holding & related operations.

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## Investments Bearing Giant Fruit

**Updates on business activities.** Singapore's Energy Market Authority (EMA) has conditionally awarded Medco Power Global, a subsidiary of MEDC, along with PacificLight Renewables Pte Ltd and Gallant Venture Ltd, a contract to supply 600 MW of green, solar-based electricity. The project (currently in the feasibility study phase) has a total capacity of 1500 MW (900 MW for local use), and there are plans to increase the capacity by up to 1.5 times, with an expected operational date of 2028. Furthermore, the company is set to finalize the sale of its working interest (31.88%) in Block 12W (ChimSao), an oil production field in Vietnam operated by Harbour Energy, by the end of 2023. Additionally, in August 2023, the company signed an agreement (CSPA) to acquire a 20% non-operating participating interest in a production asset located in the Middle East (the operator will retain majority ownership and operational control), and the transaction is expected to conclude by the end of 2023.

**A sudden boost from AMMN; re-rating is imperative.** AMMN's share price has shot up +230.48% since its IPO to IDR 5,800 (the largest gain among big-cap stocks listed on JCI). While we are confident with its future prospects (despite a potential slight hiccup in 2Q23), we should take a closer look at MEDC, which controls a 21.09% stake in AMMN. We estimate that MEDC purchased its stake in AMMN for USD 511 million, and with the tremendous gain, we expect MEDC to book an unrealized gain of USD 4.6 billion in 3Q23, boosting its full-year net profit to USD 4.9 billion. We have yet to book this in our forecast as it is still subject to further audit.

**Favorable outlook in 2H23.** With the global oil price bouncing back to USD 91/bbl, we have a favorable outlook for MEDC's O&G and power businesses. Given the possibility of further supply cuts from OPEC+ and lower US oil inventory, we decided to raise our oil price assumption for 2023 to USD 85/bbl. We raise our 2023/2024 net profit forecast to USD 348 million/ USD 304 million, mainly due to commodity surge and potential increase in power supply.

**BUY, TP IDR 2,200.** We maintain our bullish view on MEDC, giving it a BUY and an upgraded SOTP-based TP of IDR 2,200, reflecting 5.3x FY24F EV/EBITDA. We implement a 50% discount in our valuation, as the potential AMMN-related gain hasn't been booked yet. **Main Risks:** Lower-than-expected O&G prices and lifting volume.

Forecast and Valuations (@ IDR 2,200 per share)					
Y/E Dec	21A	22A	23F	24F	25F
Revenue (USD Mn)	1,252	2,312	2,114	2,094	2,085
EBITDA(USD Mn)	667	1,593	1,168	1,128	1,097
EV/EBITDA (x)	7.8	3.2	4.1	4.3	4.5
Net Profit (USD Mn)	47	531	348	304	231
EPS (USD)	0.0	0.0	0.0	0.0	0
EPS Growth (%)	n.a	1,033	(34.4)	(12.5)	(24)
P/E Ratio (x)	57.7	4.7	7.4	8.5	11
BVPS (IDR)	612	960	1,121	1,283	1,406
P/BV Ratio (x)	2.5	1.6	1.4	1.2	1.1
DPS (IDR)	-	37	24	21	16
Dividend Yield (%)	-	2.4	1.5	1.3	1.0
ROAE (%)	3.9	35.7	18.1	13.6	9.2
ROAA (%)	0.8	8.4	4.8	4.0	2.9
Interest Coverage (x)	3.0	6.1	4.2	4.1	4.0
Net Gearing (%)	2.0	1.5	1.1	1.0	0.9

Figure 1. SOTP Valuation

Business	Method	Multiple (x)	2024 EBITDA	Valuations (USDmn)	Stake	Value to MEDC (USDmn)	Notes
Oil & Gas	EV/EBITDA	3.1	1,152	3,592	100.00%	3,592	50% Discount to Peers
Power	EV/EBITDA	7.3	62	458	100.00%	458	50% Discount to Peers
AMMN	Mark-to-Market EV			10,179	21.09%	2,147	50% holding discount
<b>Enterprise Value (USDmn)</b>						<b>6,197</b>	
(-) Debt						(3,360)	
(+) Cash						1,081	
(-) Minority Interest						(261)	
<b>Equity Value (USDmn)</b>						<b>3,657</b>	
<b>Equity Value (IDRbn)</b>						<b>54,852</b>	
Shares Outstanding (bn shares)						25.14	
<b>Target Price</b>						<b>2,200</b>	

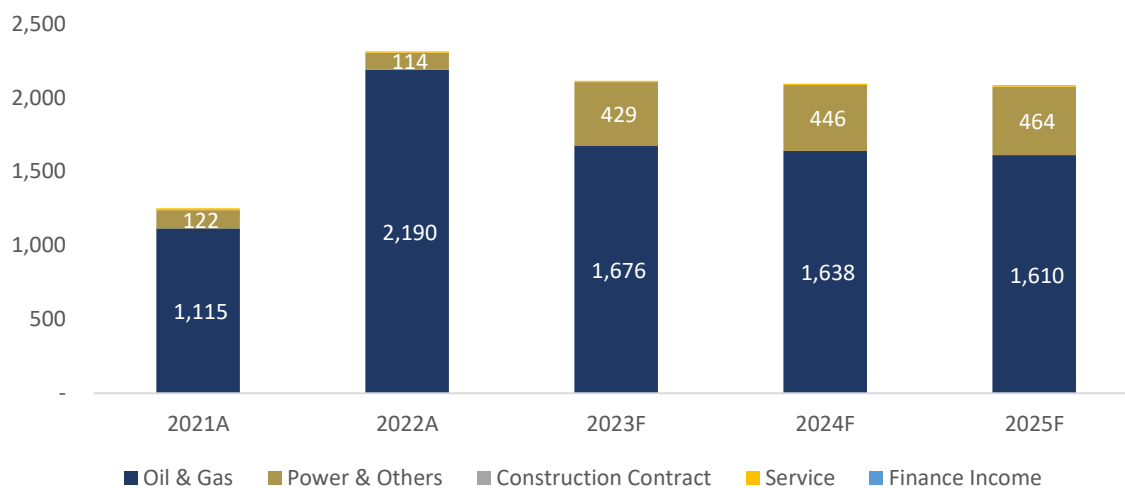
Source: SSI Research

Figure 2. Forecast Changes

	New		Old		Change (%)	
	23F	24F	23F	24F	23F	24F
Revenue (IDR Bn)	2,114	2,094	2,045	2,042	3.4	2.6
Operating Profit (IDR Bn)	718	622	658	580	9.1	7.3
EBITDA (IDR Bn)	1,168	1,128	1,108	1,084	5.4	4.1
Net Profit (IDR Bn)	348	304	314	280	10.7	8.8
BVPS (IDR)	1,121	1,283	1,103	1,252	1.6	2.5
EV/EBITDA (x)	4.1	4.3	5.5	5.7	(24.8)	(24.3)
P/E Ratio (x)	7.4	8.5	8.6	9.6	(13.8)	(12.4)
P/BV Ratio (x)	1.4	1.2	1.5	1.3	(6.2)	(6.9)

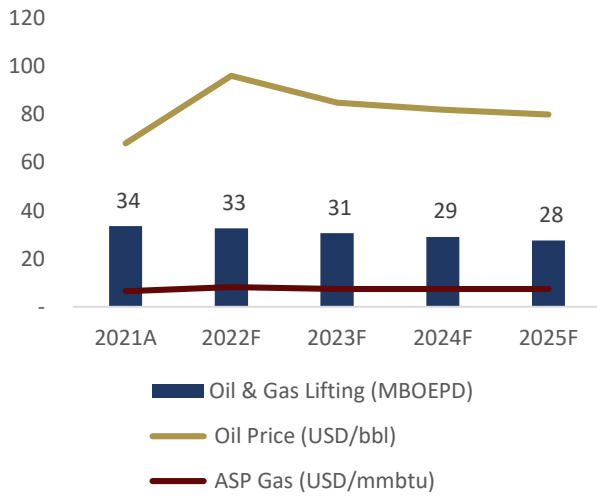
Source: SSI Research

Figure 3. Revenue Breakdown



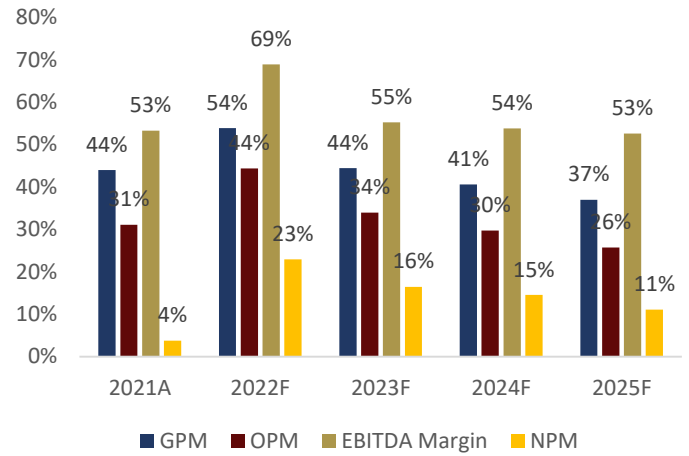
Source: Bloomberg, SSI Research

**Figure 4. Oil & Gas Lifting and ASP**



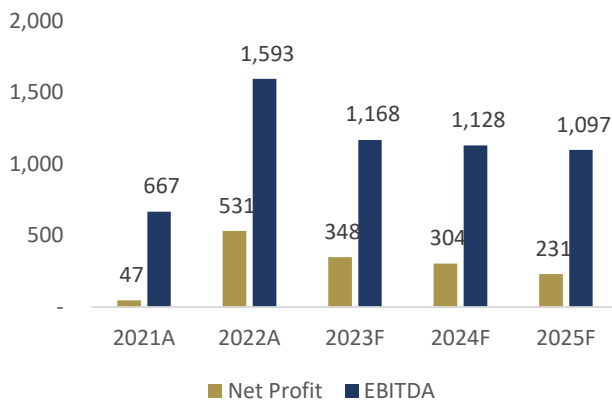
Source: Company, SSI Research

**Figure 5. Blended Margins**



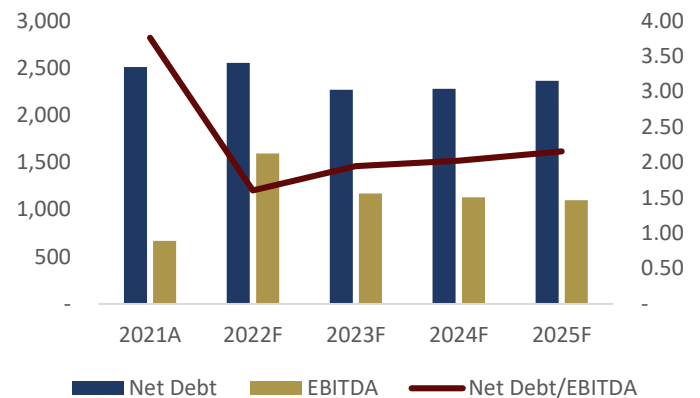
Source: Company, SSI Research

**Figure 6. EBITDA & Net Profit Trajectory**



Source: Company, SSI Research

**Figure 7. Net Debt to EBITDA**



Source: Company, SSI Research

**Figure 8. 7-Year Historical Oil Price**



Source: Bloomberg, SSI Research

## Key Financial Figures

Profit and Loss					
Y/E Dec (USD Mn)	21A	22A	23F	24F	25F
Revenue	1,252	2,312	2,114	2,094	2,085
COGS	(701)	(1,066)	(1,173)	(1,243)	(1,314)
<b>Gross profit</b>	<b>551</b>	<b>1,246</b>	<b>941</b>	<b>851</b>	<b>771</b>
SG&A	(162)	(220)	(223)	(229)	(235)
Depreciations	278	567	450	506	560
<b>Operating Profit</b>	<b>389</b>	<b>1,026</b>	<b>718</b>	<b>622</b>	<b>537</b>
<b>EBITDA</b>	<b>667</b>	<b>1,593</b>	<b>1,168</b>	<b>1,128</b>	<b>1,097</b>
Interest Expense	(222)	(259)	(280)	(277)	(273)
Interest Income	9	40	47	55	51
<b>Pre-Tax Profit</b>	<b>269</b>	<b>1,046</b>	<b>684</b>	<b>599</b>	<b>487</b>
Income Tax	(223)	(508)	(316)	(274)	(236)
Extraordinary Gain/(Loss)	-	-	-	-	-
<b>Profit Incl. Minority</b>	<b>31</b>	<b>510</b>	<b>327</b>	<b>284</b>	<b>210</b>
Minority Interest	(16)	(21)	(21)	(21)	(21)
<b>Net Profit</b>	<b>47</b>	<b>531</b>	<b>348</b>	<b>304</b>	<b>231</b>

Balance Sheet					
Y/E Dec (USD Mn)	21A	22A	23F	24F	25F
Cash & Equivalents	481	600	1,131	1,081	958
Receivables	479	616	506	490	476
Inventories	101	106	114	121	128
Other Curr. Assets	72	59	48	48	48
<b>Total Current Asset</b>	<b>1,701</b>	<b>1,751</b>	<b>2,031</b>	<b>1,972</b>	<b>1,842</b>
Net Fixed Assets	2,033	2,954	3,296	3,634	3,967
Other Non-Curr. Assets	1,950	2,226	2,221	2,221	2,221
<b>Total Asset</b>	<b>5,684</b>	<b>6,932</b>	<b>7,549</b>	<b>7,827</b>	<b>8,031</b>
Payables	250	286	304	316	329
ST. Debt	315	436	411	386	361
Other Curr. Liabilities	440	658	658	658	658
<b>Total Current Liability</b>	<b>1,006</b>	<b>1,379</b>	<b>1,372</b>	<b>1,360</b>	<b>1,347</b>
LT. Debt	2,674	2,715	2,989	2,974	2,959
Other LT. Liabilities	775	1,090	1,093	1,096	1,098
<b>Total Liability</b>	<b>4,455</b>	<b>5,184</b>	<b>5,455</b>	<b>5,430</b>	<b>5,405</b>
Minority Interest	157	190	228	261	286
<b>Total Equity</b>	<b>1,229</b>	<b>1,748</b>	<b>2,094</b>	<b>2,397</b>	<b>2,626</b>

Cash Flow					
Y/E Dec (USD Mn)	21A	22A	23F	24F	25F
<b>Profit Incl. Minority</b>	<b>(193)</b>	<b>31</b>	<b>510</b>	<b>327</b>	<b>284</b>
Depreciation & Amort.	333	278	567	450	506
Working capital chg	311	7	132	22	19
<b>Operating Cash Flow</b>	<b>978</b>	<b>1,600</b>	<b>1,300</b>	<b>1,150</b>	<b>1,116</b>
Capital Expenditure	160	(921)	(342)	(337)	(334)
Others	(137)	(277)	5	-	-
<b>Investing Cash Flow</b>	<b>23</b>	<b>(1,198)</b>	<b>(337)</b>	<b>(337)</b>	<b>(334)</b>
Dividend Paid	-	-	60	39	34
Net Borrowing	262	162	249	(40)	(40)
Others	(775)	(759)	(818)	(823)	(865)
<b>Financing Cash Flow</b>	<b>(514)</b>	<b>(597)</b>	<b>(569)</b>	<b>(863)</b>	<b>(905)</b>
<b>Net Changes</b>	<b>487</b>	<b>(196)</b>	<b>394</b>	<b>(50)</b>	<b>(123)</b>
Cash at Beginning	446	933	737	1,131	1,081
<b>Cash at Ending</b>	<b>933</b>	<b>737</b>	<b>1,131</b>	<b>1,081</b>	<b>958</b>

Key Ratios					
Y/E Dec (%)	21A	22A	23F	24F	25F
Gross Profit Margin (%)	44.0	53.9	44.5	40.6	37.0
Operating Margin (%)	31.1	44.4	33.9	29.7	25.7
EBITDA Margin (%)	53.3	68.9	55.2	53.9	52.6
Pre-Tax Margin (%)	21.5	45.2	32.4	28.6	23.4
Net Profit Margin (%)	3.7	23.0	16.5	14.5	11.1
Debt to Equity (%)	2.4	1.8	1.6	1.4	1.3
Net Gearing (x)	2.0	1.5	1.1	1.0	0.9
ROE	3.9	35.7	18.1	13.6	9.2
ROA	0.8	8.4	4.8	4.0	2.9

Major Assumptions					
Y/E Dec	21A	22A	23F	24F	25F
Total oil & gas lifting (MBOEPD)	34	33	31	29	28
Average oil price (USD/bbl)	68	96	85	82	80
ASP gas total (USD/mmbtu)	6.5	8.2	7.4	7.4	7.4
ASP Copper (USD/lb)	4.21	3.56	3.00	3.00	3.00
ASP Gold (USD/oz)	1,799	1,737	1,700	1,700	1,700

## Regional & Global Peers Comparison

Ticker	Company	Market Cap (USDmn)	PE (x)		PBV (x)		EV/EBITDA (x)		ROA (%)		ROE (%)	
			2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F	2023F	2024F
ARAMCO AB	Saudi Aramco	2,148,387.14	17.1	16.5	5.2	5.0	8.2	7.9	18.9	19.34	30.608	30.101
XOM US	ExxonMobil	470,335.12	12.7	12.8	2.3	2.3	6.8	7.0	9.7	8.9	18.1	16.1
CVX US	Chevron	311,475.17	12.3	11.3	1.9	1.9	6.4	6.2	9.5	9.3	15.6	15.8
SHELL NA	Shell	213,387.09	7.7	7.6	1.1	1.0	3.8	3.9	6.4	6.3	14.5	13.5
601857 CH	PetroChina Co	197,273.76	9.7	9.7	1.0	1.0	3.7	3.8	6.1	5.8	10.9	10.2
TTE US	TotalEnergies	164,510.70	6.9	7.2	1.3	1.2	3.9	4.1	7.7	7.2	20.5	17.3
COP US	ConocoPhillips	147,387.15	14.2	12.5	3.1	2.9	6.2	5.8	11.2	10.9	22.0	22.7
BP US	BP PLC	109,046.91	7.0	6.9	1.5	1.4	3.4	3.6	5.3	5.0	22.3	19.6
<b>Weighted Average</b>			<b>14.39</b>	<b>13.88</b>	<b>3.76</b>	<b>3.63</b>	<b>6.97</b>	<b>6.83</b>	<b>14.41</b>	<b>14.47</b>	<b>24.84</b>	<b>24.03</b>

Source: Bloomberg, SSI Research (valuation at last price)

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