Energi Mega Persada

Bloomberg: ENRG.IJ | Reuters: ENRG.JK

Oil & Gas Sector

19 October 2023

JCI Index 6,928

BUY (Maintain)

Target Price (IDR)	**340 (from 380)**
Potential Upside (%)	**31.8**

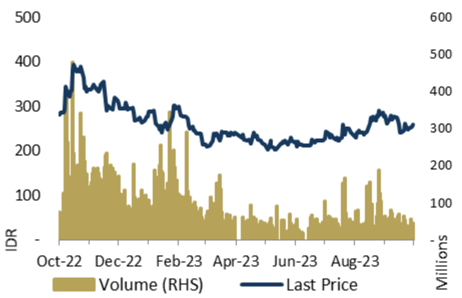
Price Comparison	
Cons. Target Price (IDR)	-
SSI vs. Cons. (%)	-

Stock Information	
Last Price (IDR)	258
Shares Issued (Mn)	24,821
Market Cap. (IDR Bn)	6,106
52-Weeks High/Low (IDR)	2404/193
3M Avg. Daily Value (IDR Bn)	16.8
Free Float (%)	51.2
Shareholder Structure:	
Bakrie Kalila Investment (%)	43.7
Trimegah Sekuritas (%)	6.26
Public (%)	43.8

Stock Performance

(%)	YTD	1M	3M	12M
Absolute	(16.3)	(12.1)	7.9	(12.8)
JCI Return	(0.1)	(1.9)	0.2	(0.2)
Relative	(16.3)	(10.2)	7.7	(12.6)

Stock Price & Volumes, 12M



Company Background

PT Energi Mega Persada Tbk is an oil and gas company headquartered in Jakarta. The company carries out exploration, development and production of petroleum and natural gas.

Muhammad Farras Farhan
+62 21 2854 8346
farras.farhan@samuel.co.id

Laurencia Hiemas
+62 21 2854 8392
laurencia.hiemas@samuel.co.id

Right Place, Right Time

Operational leg up from M&A. ENRG has been busy this past semester, with various deals and contracts on its table. There are four M&A deals that we'd like to highlight: 1) Acquisition of PT Sulawesi Regas Satu; the acquired company has a contract to lease an FSRU facility to PLN Gas & Geothermal, and the facility can supply up to 24 mmcfd, 2) PSC agreement to operate the Bireun Sigli block in Aceh with a planned capex of USD 36 million for the next three years and estimated resources of 2.1 tcfd of gas and 359 mboe of oil, 3) Acquisition of a 90% stake and operatorship in Siak PSC block and a 90% stake and operatorship in Kampar PSC block, with a combined production rate of 2,200 – 2,600 mbopd of oil, and 4) planned Capex of USD 10.07 million for South CPP and Tonga block exploration**.** All these corporate actions might be strong growth catalysts for ENRG, as we believe ENRG can take advantage of oil and gas price hikes, which should help bolster its earnings. We project ENRG to produce 157 MMSCFD of gas in FY23F and 173 MMSCFD in FY24F, as well as 6.6 mbopd of oil in FY23F and 8.7 mbopd in FY24F, with an ASP of USD 85.26/bbl.

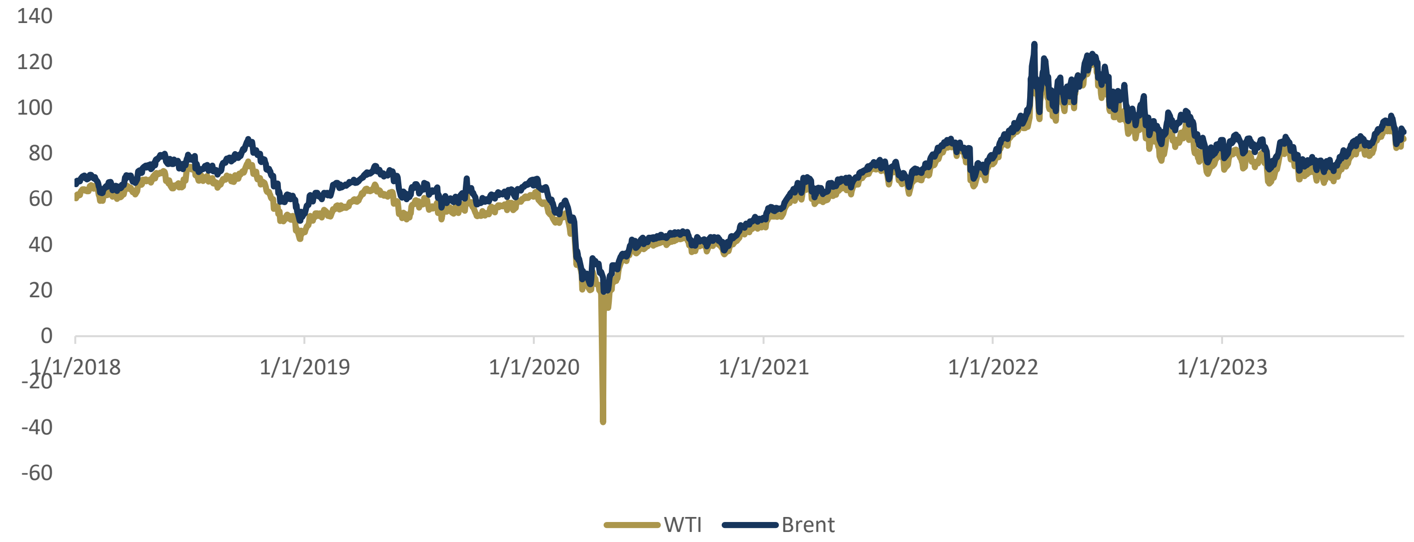
Favorable earnings outlook. With several projects completed or scheduled for completion in 2023 and some others in 2024, we strongly believe that ENRG will post better earnings in the future. Although we might see some decline in FY23F (due to the high base effect), we are positive that ENRG will bounce back in FY24F, thanks to strong commodity prices and the completion of its projects. We forecast ENRG to book FY23F revenue of USD 427 million (-5% yoy) and FY24F revenue of USD 482 million (+13% yoy). However, due to the size of its projects, ENRG might book a rather significant cash cost of USD 16.37/boe, though this figure should gradually decline over time. We then project ENRG to book FY23F/FY24F EBITDA of USD 267 million/USD 299 million and net profit of USD 60 million/USD 73 million, reflecting EPS growth of -9.4%/+20.6%.

Maintain BUY, TP at IDR 340. As we rollover our valuation to FY24F, we reiterate our BUY rating on ENRG albeit with a lower TP to IDR 340, reflecting 4.0x EV/EBITDA FY24F (+1.5 5-Year ST. Deviation, 16% discount to global and regional peers). **Risks:** Commodity slump, disruptions in project delivery.

Forecast and Valuations (@ IDR 258 per share)

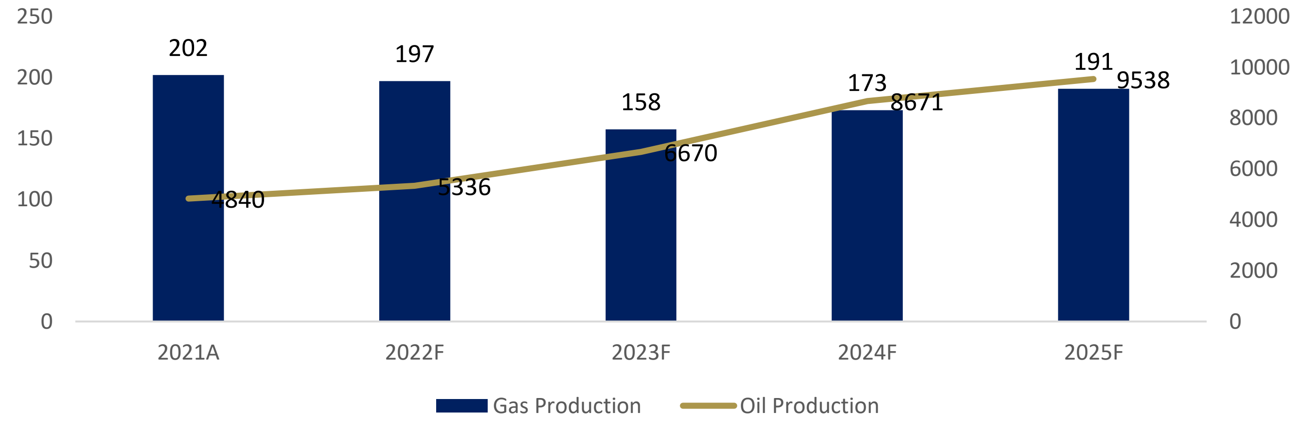
Y/E Dec	21A	22A	23F	24F	25F
Revenue (USD mn)	406	452	427	482	511
EBITDA (USD mn)	273	295	267	299	310
EV/EBITDA(x)	2.2	1.8	1.8	1.9	1.7
Net Profit (USD mn)	40	67	60	73	74
EPS (IDR)	23	42	37	44	45
EPS Growth (%)	(68.5)	80.1	(12.3)	20.6	1.4
P/E Ratio (x)	10.9	6.0	6.9	5.7	5.6
BVPS (IDR)	258	326	348	392	436
P/BV Ratio (x)	1.0	0.8	0.7	0.6	0.6
DPS (IDR)	n.a	n.a	n.a	n.a	n.a
Dividend Yield (%)	n.a	n.a	n.a	n.a	n.a
ROAE(%)	12.2	13.8	11.1	11.9	10.8
ROAA (%)	4.2	5.9	4.8	5.3	4.9
Interest Coverage (x)	8.6	8.4	6.8	7.5	7.2
Net Gearing (x)	35.2	24.9	11.0	21.5	13.5

Figure 1. 5-Year Oil Price



Source: Bloomberg, SSI Research

Figure 2. Production Volume (MBOPD)



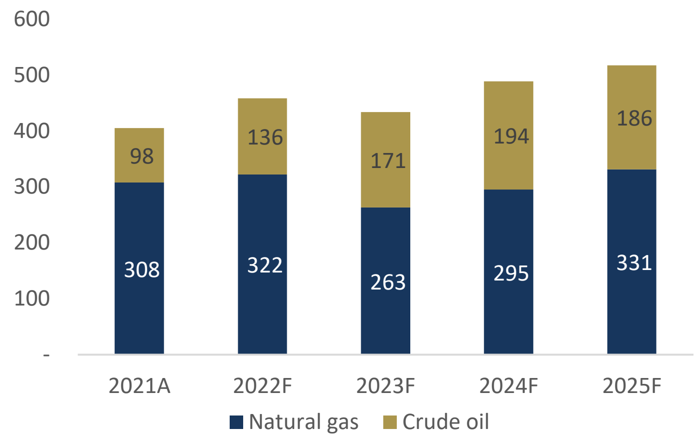
Source: Bloomberg, SSI Research

Figure 3. Peers Comparison

Ticker	Company	Market Cap (USDmn)	EV(USD mn)	PE (x)		PBV (x)		EV/EBITDA (x)		ROA (%)		ROE (%)	
				2023F	2024F	2023F	2024F	2023F	2024F	2022	2023	2023F	2024F
	Midstream O&G Average			**13.4**	**12.5**	**2.1**	**2.1**	**9.8**	**9.4**	**5.7**	**5.4**	**20.6**	**19.3**
ENB US	Enbridge Inc.	68,401	182,576	15.4	16.2	1.6	1.7	11.2	11.0	3.7	3.2	10.2	10.0
EPD US	Enterprise Products Partners L.P.	60,114	90,595	10.9	10.3	2.1	2.0	9.7	9.3	7.8	7.9	20.7	21.2
KMI US	Kinder Morgan, Inc.	38,191	70,426	15.5	14.3	1.2	1.2	9.2	8.9	3.7	3.9	8.1	8.8
ET US	Energy Transfer LP	43,785	106,365	10.3	9.1	1.4	1.3	7.9	7.6	4.2	4.8	12.8	14.5
MPLX US	MPLX LP	36,514	57,647	9.9	9.5	3.0	2.9	9.4	9.2	10.3	10.1	29.1	29.4
OKE US	ONEOK Inc	39,981	52,692	12.2	14.1	2.5	2.6	10.5	9.8	7.6	4.6	29.3	16.4
PBA US	Pembina Pipeline Corporation	16,794	35,918	15.6	14.5	1.7	1.7	9.8	9.5	5.5	5.9	10.4	11.0
TRGP US	Targa Resources Corp.	19,577	33,671	16.6	13.7	6.4	4.9	9.5	8.7	-	-	38.0	36.0
WES US	Western Midstream Partners, LP	10,638	17,384	10.9	8.9	3.6	3.6	8.7	7.9	-	-	35.3	42.3
MMP US	Magellan Midstream Partners, L.P.	13,945	18,898	13.5	13.2	-	-	11.9	11.8	13.4	13.0	59.1	53.1
	Upstream O&G Average			**14.1**	**13.4**	**3.7**	**3.6**	**6.8**	**6.6**	**14.4**	**14.3**	**25.1**	**23.9**
ARAMCO AB	Saudi Aramco	2,154,896	8,112,563	17.1	16.2	5.2	5.1	8.1	7.8	18.9	19.3	30.9	30.0
XOM US	ExxonMobil	447,612	467,531	12.0	12.0	2.2	2.1	6.4	6.3	10.1	8.9	18.6	16.4
CVX US	Chevron	315,415	328,292	12.1	11.4	2.0	1.9	6.3	6.0	9.9	9.3	16.2	16.1
SHELL NA	Shell	226,016	266,910	8.3	7.4	1.2	1.1	3.9	4.0	6.5	6.3	14.6	13.7
601857 CH	PetroChina	188,663	1,718,286	9.0	8.9	1.0	0.9	3.5	3.5	6.1	5.9	11.2	10.6
TTE US	TotalEnergies	161,717	177,702	6.8	6.8	1.3	1.2	3.7	3.9	7.7	7.1	21.0	18.1
COP US	ConocoPhillips	151,590	161,219	14.1	12.3	3.1	2.9	6.3	5.8	11.8	11.1	22.3	22.9
BP/ LN	BP	115,562	161,641	7.4	7.2	1.6	1.4	3.5	3.7	5.3	4.9	22.5	20.0

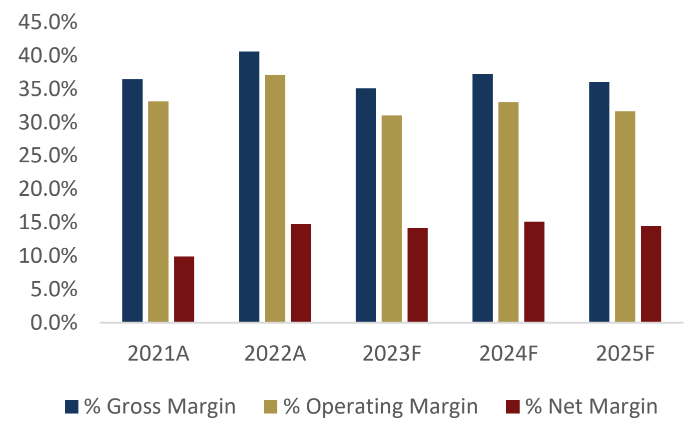
Source: Bloomberg, SSI Research

Figure 4. Revenue Mix



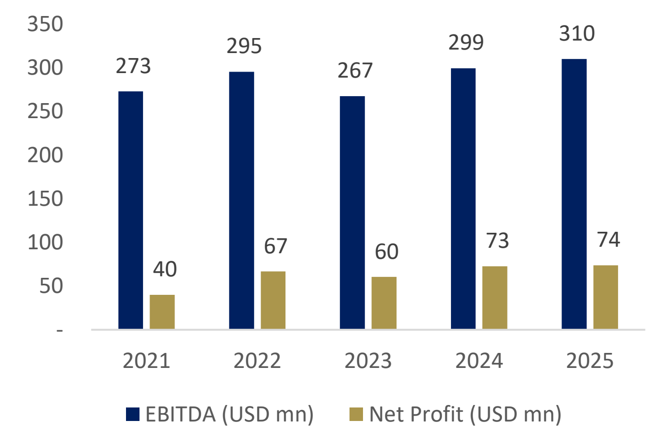
Source: Company, SSI Research

Figure 5. Profitabilitty Margins



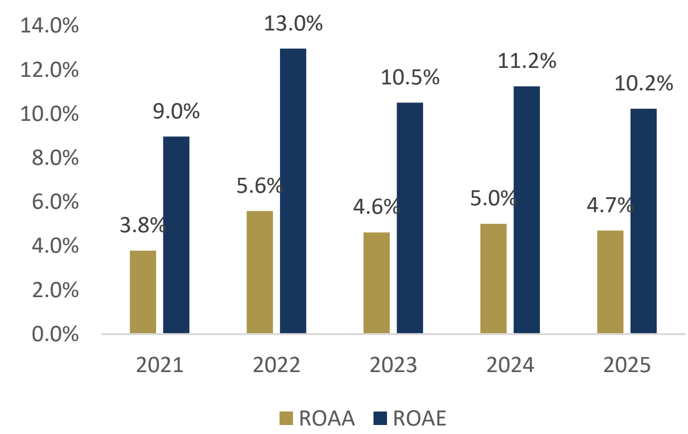
Source: Company. SSI Research

Figure 6. EBITDA & Net Profit Forecast



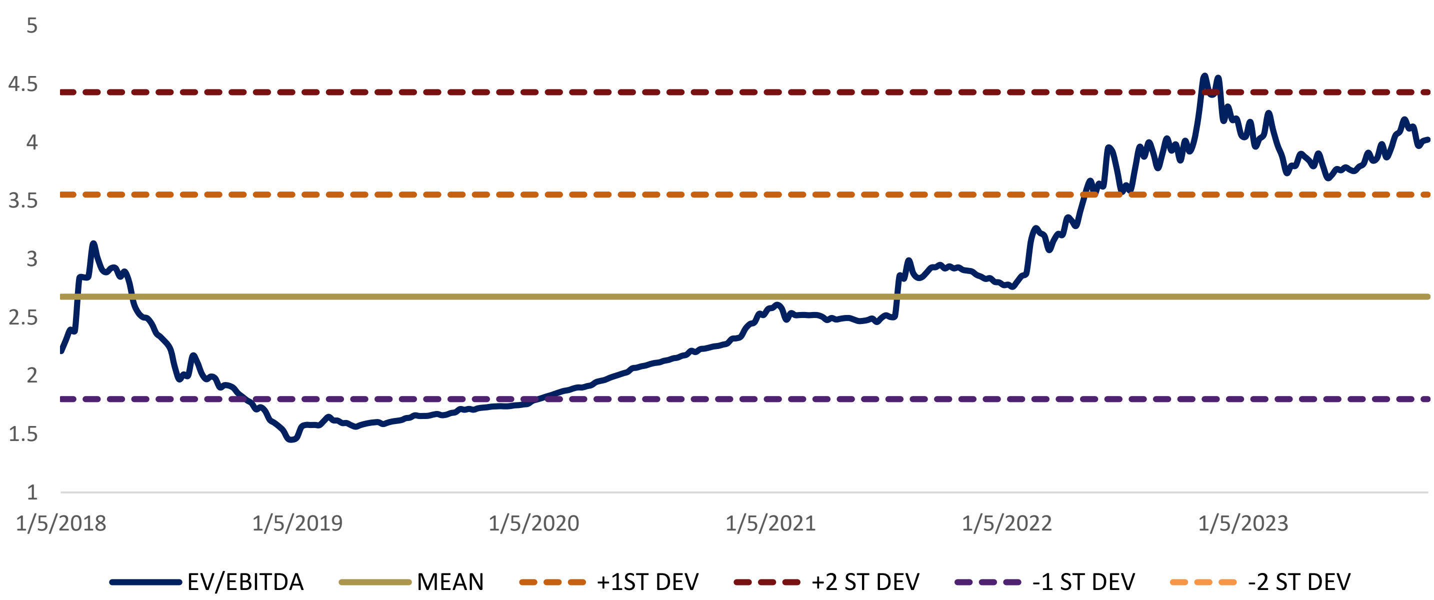
Source: Company. SSI Research

Figure 7. ROA & ROE Forecast



Source: Company. SSI Research

Figure 8. EV/EBITDA Band



Source: Company, SSI Research

Key Financial Figures

Profit and Loss					
Y/E Dec (USD mn)	21A	22A	23F	24F	25F
Revenues	406	452	427	482	511
Cost of goods sold	258	268	277	302	327
Gross Profit	**184**	**150**	**180**	**184**	**223**
SGA Expense	14	16	17	20	22
Operating Profit	**135**	**168**	**133**	**159**	**162**
EBITDA	**273**	**295**	**267**	**299**	**310**
Finance Income	0	1	1	1	1
Finance Expenses	16	20	20	21	22
Pre-tax profit	**130**	**140**	**127**	**153**	**156**
Income Tax	90	74	67	80	82
Profit for Period	**40**	**67**	**60**	**73**	**74**
Minority Interest	(1)	0	0	0	0
Net Profit	**40**	**67**	**60**	**73**	**74**

Cash Flow					
Y/E Dec (USD mn)	21A	22A	23F	24F	25F
Net Profit	40	67	60	73	74
D&A	138	128	135	140	148
Changes in Working Capital & Others	(11)	78	48	25	23
Operating Cash Flow	**167**	**272**	**243**	**238**	**245**
Capital Expenditure	(378)	(249)	(187)	(285)	(186)
Others	194	7	9	(29)	(17)
Investing Cash Flow	**(184)**	**(242)**	**(178)**	**(314)**	**(203)**
Net - Borrowing	4	(17)	8	33	9
Other Financing	20	(1)	-	-	-
Financing Cash Flow	**25**	**(17)**	**8**	**33**	**9**
Net - Cash Flow	8	14	72	(43)	51
Cash at beginning	24	33	46	119	76
Cash at ending	33	46	119	76	127

Balance Sheet					
Y/E Dec (USD mn)	21A	22A	23F	24F	25F
Cash & equivalents	33	46	119	76	127
Receivables	29	26	24	27	29
Others	101	108	107	122	131
Total Current Assets	**163**	**180**	**250**	**225**	**286**
Net Fixed Asset	618	739	791	936	974
Other Non-Current Asset	282	275	267	296	313
Total Assets	**1,064**	**1,194**	**1,308**	**1,456**	**1,573**
ST. Bank loan	44	57	59	70	73
Payables	249	252	297	339	373
Other current Liabilities	-	29	29	29	29
Total Current Liabilities	**294**	**338**	**385**	**438**	**475**
LT.Debt	147	118	123	145	151
Other LT Liabilities	174	224	224	225	225
Total Liabilities	**615**	**679**	**733**	**808**	**851**
Minority Interest	(73)	(73)	(73)	(73)	(73)
Total Equity	**449**	**515**	**575**	**648**	**722**

Key Ratios					
Y/E Dec (USD mn)	21A	22A	23F	24F	25F
Gross Profit Margin (%)	45.2	33.2	42.1	38.2	43.7
Operating Margin (%)	33.2	37.1	31.0	33.1	31.7
EBITDA Margin (%)	67.2	65.4	62.6	62.1	60.7
Pre-Tax Margin (%)	32.0	31.1	29.8	31.8	30.4
Net Profit Margin (%)	9.9	14.8	14.2	15.1	14.5
Debt to Equity (%)	30.9	23.6	23.0	23.0	23.0
Net Gearing (%)	35.2	24.9	11.0	21.5	13.5

Major Assumptions					
	21A	22A	23F	24F	25F
Oil Average Realize Price (USD/Barel)	63.71	91.29	85.26	74.40	65.10
Gas Average Realize Price	5.53	6.25	6.38	6.50	6.63
Oil Volume Growth	42%	10%	25%	30%	10%
Gas Volume Growth	18%	-2%	-20%	10%	10%

Research Team			
Prasetya Gunadi	Head of Equity Research, Strategy, Banking, Digital Banks	prasetya.gunadi@samuel.co.id	+6221 2854 8320
Lionel Priyadi	Macro Equity Strategist	lionel.priyadi@samuel.co.id	+6221 2854 8854
Muhamad Alfatih, CSA, CTA, CFTe	Senior Technical Analyst	m.alfatih@samuel.co.id	+6221 2854 8129
Yosua Zisokhi	Cement , Cigarette, Paper, Plantation,Telco Infra, Chemicals	yosua.zisokhi@samuel.co.id	+6221 2854 8387
M. Farras Farhan	Media, Poultry, Oil & Gas, Technology	farras.farhan@samuel.co.id	+6221 2854 8346
Pebe Peresia	Automotive, Consumer Staples, Retail	pebe.peresia@samuel.co.id	+6221 2854 8339
Juan Oktavianus Harahap	Coal, Metal Mining	juan.oktavianus@samuel.co.id	+6221 2854 8846
Jonathan Guyadi	Banking, Healthcare, Telco	jonathan.guyadi@samuel.co.id	+6221 2854 8321
Adolf Richardo	Editor	adolf.richardo@samuel.co.id	+6221 2864 8397
Ashalia Fitri Yuliana	Research Associate	ashalia.fitri@samuel.co.id	+6221 2854 8389
Daniel Aditya Widjaja	Research Associate	daniel.aditya@samuel.co.id	+6221 2854 8322
Laurencia Hiemas	Research Associate	laurencia.hiemas@samuel.co.id	+6221 2854 8392
Brandon Boedhiman	Research Associate	brandon.boedhiman@samuel.co.id	+6221 2854 8392
Haikal Putra Samsul	Research Associate	haikal.putra@samuel.co.id	+6221 2854 8353

Equity Institutional Team			
Widya Meidrianto	Head of Institutional Equity Sales	widya.meidrianto@samuel.co.id	+6221 2854 8317
Ronny Ardianto	Institutional Equity Sales	ronny.ardianto@samuel.co.id	+6221 2854 8399
Fachruly Fiater	Institutional Sales Trader	fachruly.fiater@samuel.co.id	+6221 2854 8325
Lucia Irawati	Institutional Sales Trader	lucia.irawati@samuel.co.id	+6221 2854 8173
Alexander Tayus	Institutional Equity Dealer	alexander.tayus@samuel.co.id	+6221 2854 8319
Leonardo Christian	Institutional Equity Dealer	leonardo.christian@samuel.co.id	+6221 2854 8147

Equity Retail Team			
Joseph Soegandhi	Director of Equity	joseph.soegandhi@samuel.co.id	+6221 2854 8872
Damargumilang	Head of Equity Retail	damargumilang@samuel.co.id	+6221 2854 8309
Anthony Yunus	Head of Equity Sales	anthony.yunus@samuel.co.id	+6221 2854 8314
Clarice Wijana	Head of Equity Sales Support	clarice.wijana@samuel.co.id	+6221 2854 8395
Gitta Wahyu Retnani	Equity Sales & Trainer	gitta.wahyu@samuel.co.id	+6221 2854 8365
Vincentius Darren	Equity Sales	darren@samuel.co.id	+6221 2854 8348
Michael Alexander	Equity Sales	michael.alexander@samuel.co.id	+6221 2854 8369
Sylviawati	Equity Sales	sylviawati@samuel.co.id	+6221 2854 8112
Wandha Ahmad	Equity Sales	wandha.ahmad@samuel.co.id	+6221 2854 8316
Handa Sandiawan	Equity Sales	handa.sandiawan@samuel.co.id	+6221 2854 8302
Denzel Obaja	Equity Sales	denzel.obaja@samuel.co.id	+6221 2854 8342
Wahyudi Budiyono	Dealer	wahyudi.budiyono@samuel.co.id	+6221 2854 8152

Fixed Income Sales Team			
R. Virine Tresna Sundari	Head of Fixed Income	virine.sundari@samuel.co.id	+6221 2854 8170
Rudianto Nugroho	Fixed Income Sales	rudianto.nugroho@samuel.co.id	+6221 2854 8306
Sany Rizal Keliobas	Fixed Income Sales	sany.rizal@samuel.co.id	+6221 2854 8337
Safitri	Fixed Income Sales	safitri@samuel.co.id	+6221 2854 8376
Khairanni	Fixed Income Sales	khairanni@samuel.co.id	+6221 28548104
Saldy Achmad Yanuar	Fixed Income Sales	saldy.achmad@samuel.co.id	+6221 28548384
Nadya Attahira	Fixed Income Sales	nadya.attahira@samuel.co.id	+6221 2854 8305