INDOPREMIER

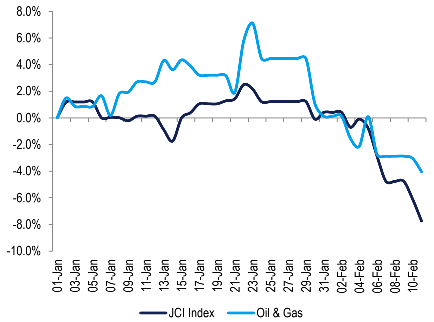
Oil & Gas

NEUTRAL *(unchanged)*

Sector update | 11 February 2025

Sector Index Performance

	3M	6M	12M
Absolute	-10.4%	-19.9%	-13.2%
Relative to JCI	-0.3%	-9.4%	-2.7%



Summary Valuation Metrics

P/E (x)	2024F	2025F	2026F
AKRA IJ	9.5	7.4	6.7
MEDC IJ	4.4	4.6	4.3
PGEO IJ	11.8	11.4	10.2
PGAS IJ	8.0	6.5	9.1

EV/EBITDA (x)	2024F	2025F	2026F
AKRA IJ	7.1	5.3	4.6
MEDC IJ	3.5	3.0	2.8
PGEO IJ	6.3	5.7	5.1
PGAS IJ	3.8	3.1	4.0

Div. Yield	2024F	2025F	2026F
AKRA IJ	11.2%	8.9%	7.4%
MEDC IJ	3.9%	4.0%	4.6%
PGEO IJ	6.0%	6.3%	6.6%
PGAS IJ	7.5%	8.8%	10.7%

Ryan Winipta
PT Indo Premier Sekuritas
ryan.winipta@ipc.co.id
+62 21 5088 7168 ext.718

Reggie Parengkuan
PT Indo Premier Sekuritas
reggie.parengkuan@ipc.co.id
+62 21 5088 7168 ext.714

Three ST themes for crude oil: Trump, China & global demand, and OPEC+

- Brent oil price trades at US$76/bbl (+2% YTD) as it experienced a pullback from the rally to US$81/bbl on Russian oil sanction (report).
- We highlighted three short-term themes for crude oil: 1) Trump policy, 2) China & global demand, and 3) OPEC+ voluntary cuts decision.
- However, impact to O&G equities have been relatively muted. Thus, we tactically prefer PGAS over AKRA & MEDC. Maintain Neutral stance.

Trump: ability to dictate oil productions are limited

While Trump has been very vocal on its plan to: 1) increase US shale oil production, 2) requesting its ally & OPEC+ to end voluntary cuts to increase their oil production, and 3) planning to impose 'maximum pressure' to Iran, we think Trump's ability to dictate oil price movement is limited, aside from the latter i.e. Iranian sanctions. First, Trump could only expedite administration process for companies exploring/producing shale-oil and unlike its 1st term, Permian basin's production is set to peaking. Second, we think it's unlikely for OPEC+ to merely increase their production on political reason unless there's an improvement in demand & lower oil storage/inventory. However, in the case of Iranian sanction, we do see potential spike in oil price, albeit we think this has been largely priced-in; reflected in bullish speculators' positioning (Fig. 3).

Global demand: trade data showcased soft demand

China oil inventories are in the declining trend in Jan25, similar to India (Fig. 5 & 6). However, we are unsure if recent storage decline signals an increase in oil demand or merely a drawdown due to Russian oil sanction that were imposed mid-Jan25. We think one of the key leading indicators for demand is OPEC+ crude exports in Jan25 which in fact is lower on mom and yoy basis at around ~26mn bblpd vs. last three years (Fig. 4). Such trade data would mean that demand is likely to be soft YTD, which shall limit the upside in crude oil price in the short-to-medium term.

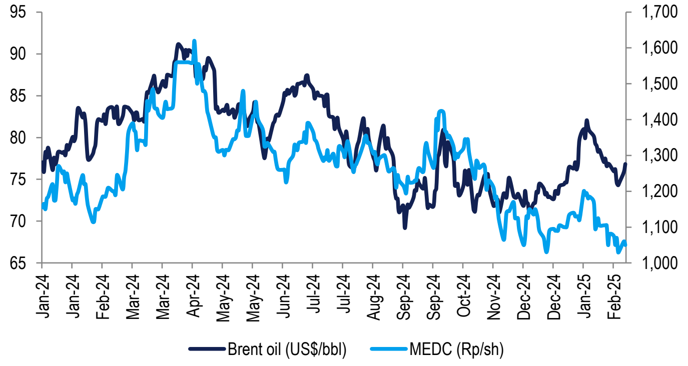
OPEC+: unwinding of 2.2mn production cuts are unlikely

OPEC+ voluntary eight (V8) members have planned to gradually unwind voluntary cuts (2.2mn bblpd or ~2% global supply) starting April 1st. However, we see a high possibility for an extension of these voluntary cuts for the rest of FY25F, simply due to soft global demand for oil as indicated (Fig. 4). Nonetheless, decision of OPEC+ V8 could become an overhang in ST especially heading towards April 1st 2025.

Neutral on oil price, prefer PGAS for short-term tactical play

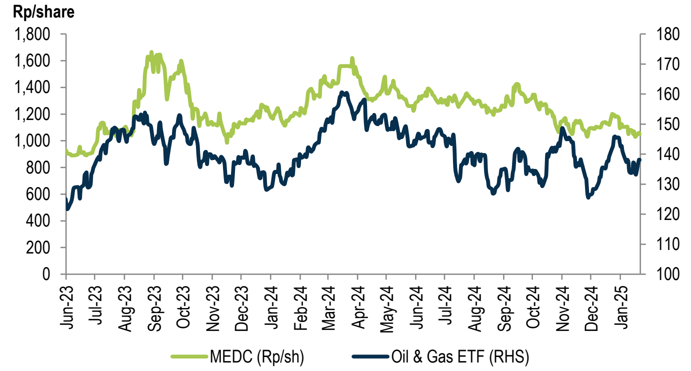
We think speculators' positioning in Brent oil is already elevated, which we think shall limit crude oil price upside in the near-term. Furthermore, recent Jan25 spike (due to Russian oil sanction) has led to little to no increase in MEDC' share price, in comparison to O&G equities globally (Fig. 1 & 2) albeit we think this might have been caused by top-down factors that might still persist in our view (i.e. stronger dollar-weaker Rp, tight liquidity in JCI). As a result, we prefer PGAS (Hold) in the short-term, owing to its attractive dividend yield (c.9%) and potentially strong 1Q25F (on delay of HGBT extension, report) over other companies in our O&G coverage, albeit capital gain appreciation for PGAS would likely determined by the ability to secure LNG cargoes, underpinning our Hold rating.

Fig. 1: Brent oil price vs MEDC share price



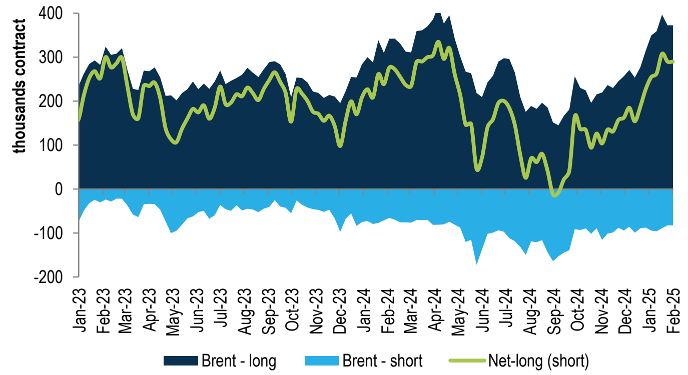
Source: Bloomberg, Indo Premier

Fig. 2: Brent oil price vs. Oil & Gas ETF



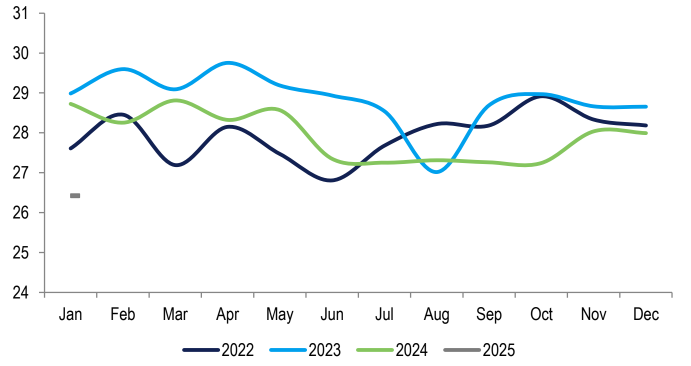
Source: Bloomberg, Indo Premier

Fig. 3: Brent speculators' positioning



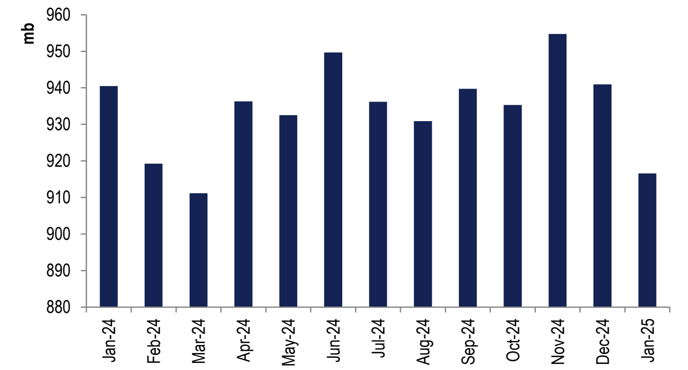
Source: Bloomberg, Indo Premier

Fig. 4: OPEC+ crude exports



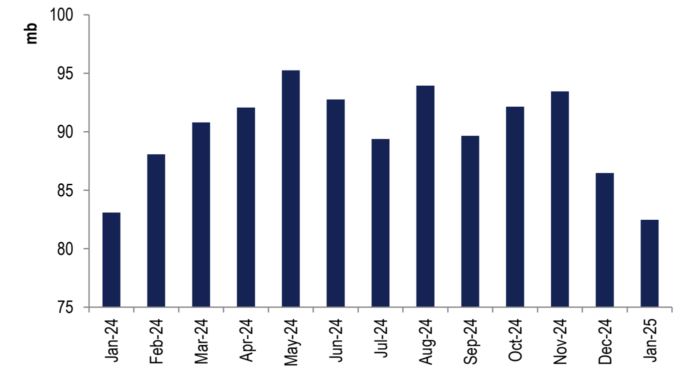
Source: Bloomberg, Indo Premier

Fig. 5: China oil storage



Source: Bloomberg, Indo Premier

Fig. 6: India oil storage



Source: Bloomberg, Indo Premier

Fig. 7: Oil & Gas stocks under our coverage & recommendation

Ticker	Company	Rating	Target price (Rp/share)	P/E			EV/EBITDA			Dividend yield (%)		
				24F	25F	26F	24F	25F	26F	24F	25F	26F
AKRA IJ	AKR Corporindo	Buy	1,700	9.5	7.4	6.7	7.1	5.3	4.6	11.2%	8.9%	7.4%
MEDC IJ	Medco Energi Internasional	Buy	1,700	4.4	4.6	4.3	3.5	3.0	2.8	3.9%	4.0%	4.6%
PGEO IJ	Pertamina Geothermal	Hold	1,250	11.8	11.4	10.2	6.3	5.7	5.1	6.0%	6.3%	6.6%
PGAS IJ	Perusahaan Gas Negara	Hold	1,500	8.0	6.5	9.1	3.8	3.1	4.0	7.5%	8.8%	10.7%

Source: Bloomberg, Company data, Indo Premier

SECTOR RATINGS

OVERWEIGHT	:	An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation
NEUTRAL	:	A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation
UNDERWEIGHT	:	An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation

COMPANY 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.