INDOPREMIER

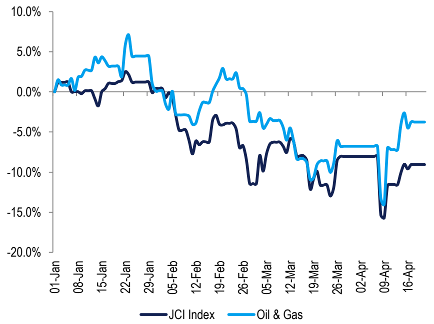
Oil & Gas

NEUTRAL *(unchanged)*

Sector update | 21 April 2025

Sector Index Performance

	3M	6M	12M
Absolute	-6.8%	-16.1%	-23.1%
Relative to JCI	3.3%	0.9%	-13.9%



Summary Valuation Metrics

P/E (x)	2024F	2025F	2026F
AKRA IJ	8.8	7.5	7.0
MEDC IJ	5.9	4.2	N/A
PGEO IJ	14.1	12.3	11.3
PGAS IJ	7.3	9.4	N/A

EV/EBITDA (x)	2025F	2026F	2027F
AKRA IJ	6.4	4.8	4.2
MEDC IJ	3.1	2.9	N/A
PGEO IJ	7.7	6.9	6.2
PGAS IJ	3.4	4.1	N/A

Div. Yield	2025F	2026F	2027F
AKRA IJ	9.4%	7.4%	0.0%
MEDC IJ	4.3%	4.5%	N/A
PGEO IJ	5.5%	5.3%	0.0%
PGAS IJ	9.1%	9.5%	N/A

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Crude oil: demand unlikely to recover, maintain our bearish stance

- Brent crude oil currently trades at US$66/bbl (-11% YTD) post Liberation-day tariff announcement and OPEC+ production increase.
- E&P share prices globally have dropped on lower oil price, albeit MEDC share price remain relatively robust at Rp900-1100/share range.
- We think crude oil would be at a relatively equilibrium market albeit demand downside is still apparent; maintain sector Neutral rating.

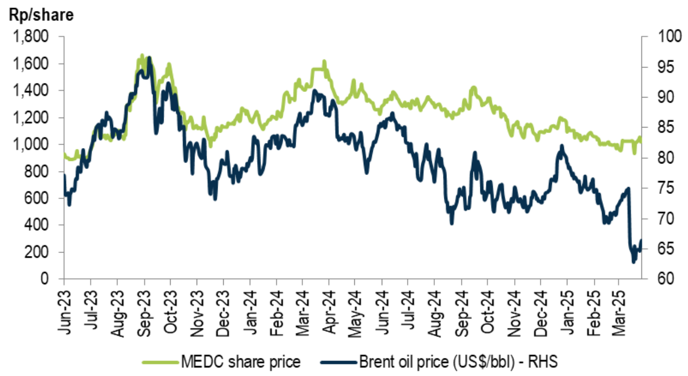
Current oil price environment to spur M&A and capex postponement
We think crude demand is unlikely to meaningfully grow within FY25F, mainly due to tariffs uncertainty, softer global growth, which are reflected in the current <US$70/bbl Brent oil price. This shall cause a delay – or at least, less aggressive stance, in oil E&P's capex plan, with M&A set to occur should price decline further below US$60/bbl level. However, despite gradual decline in global supply, we think oil balances would remain relatively balanced due to flat global demand, limited the upside potential. However, we also think downside is limited, especially with majority of the downsides (i.e. tariffs uncertainty, OPEC+ production increase) have been mostly priced-in by the market.

Negative surprise from OPEC+ to add further woes to S-D balances
OPEC+ announcement in early Apr25 to increase 411k bblpd or equivalent to 3x of its monthly production in one go starting May25 was a negative surprise that led Brent oil to trade below US$60/bbl intraday in early Apr25. While such decision might be politically driven, the impact of such increase to supply-demand balance is substantial as our initial expectation of ~500kbblpd supply deficit by end of FY25F would be almost erased by an increase of that magnitude. We think OPEC+ may continue to increase production, although it would monitor the demand trajectory post-tariffs, which are unlikely to recover significantly, in our view.

Low oil inventory is unlikely to cause any price spike
We maintain our bearish stance on oil price despite low oil inventory globally; with supply-demand would be relatively balanced, few demand and supply dynamics shall cancel out each other. For example, we expect US shale oil production to gradually decline by 100-200k bblpd to around ~12.5mbblpd on average on higher gas to oil ratio, but this would be offset by lower demand. Additionally, with OPEC+ action to increase production, any substantial demand recovery would be eventually met with another round of production increase. Thus, we think price will continue to hover between US$60-70/bbl range throughout rest of FY25F, in our view.

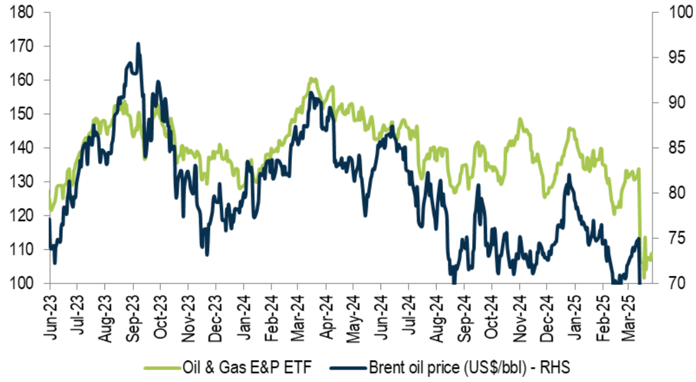
Oil price already down substantially YTD, but no immediate catalyst
With oil prices have been declining significantly YTD (-11%), we think oil E&P players' valuation are unlikely to re-rate, unless it is able to boost free cash flow (FCF) generation via inorganic growth (i.e. M&A). Specifically for MEDC, we also see potential downward earnings revision vs. consensus forecast as our check suggests AMMN (20% owned by MEDC) is yet to conduct any export activity in Jan25 & Feb25; coupled with the fact that oil price trending lower since Apr25, which meant that consensus earnings forecast is heavily skewed to the downside for MEDC at >30%. We tactically prefer PGAS on its attractive dividend (c.9% yield at current price).

Fig. 1: Brent oil price vs MEDC share price



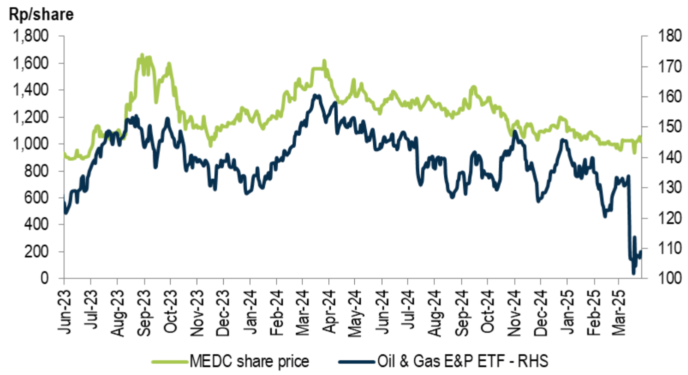
Source: Bloomberg, Indo Premier

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



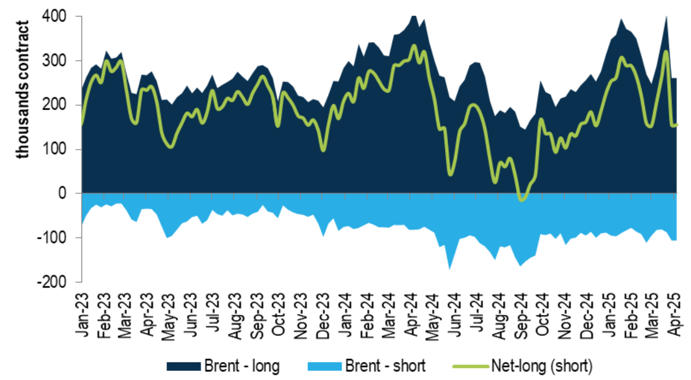
Source: Bloomberg, Indo Premier

Fig. 3: Oil & gas E&P ETF vs MEDC share price



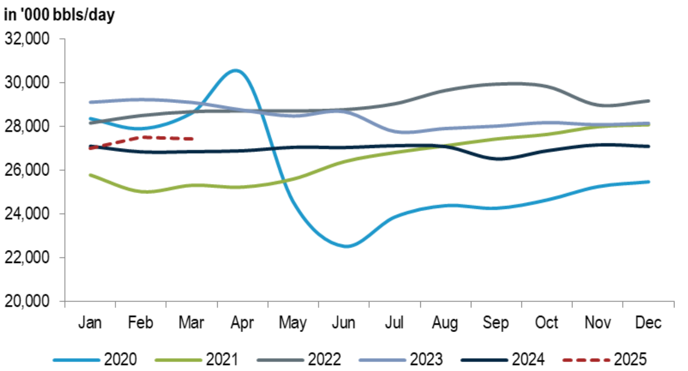
Source: Bloomberg, Indo Premier

Fig. 4: Brent oil speculators' positioning



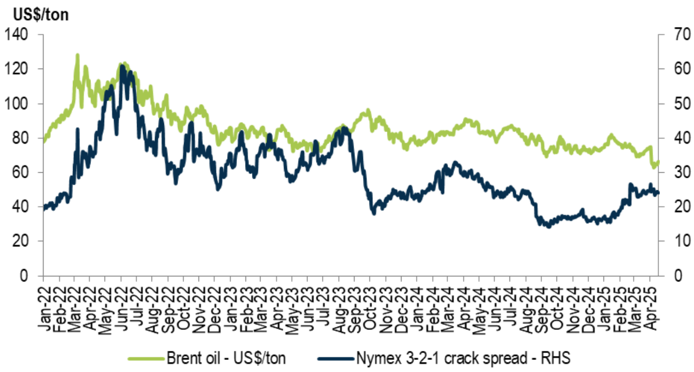
Source: Bloomberg, Indo Premier

Fig. 5: OPEC crude exports



Source: Bloomberg, Indo Premier

Fig. 6: Brent & crack spread



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 (%)		
				25F	26F	27F	25F	26F	27F	25F	26F	27F
AKRA IJ	AKR Corporindo	Buy	1,480	8.8	7.5	7.0	6.4	4.8	4.2	9.4%	7.4%	0.0%
MEDC IJ	Medco Energi Internasional	Buy	1,700	5.9	4.2	N/A	3.1	2.9	N/A	4.3%	4.5%	N/A
PGEO IJ	Pertamina Geothermal	Hold	850	14.1	12.3	11.3	7.7	6.9	6.2	5.5%	5.3%	0.0%
PGAS IJ	Perusahaan Gas Negara	Hold	1,500	7.3	9.4	N/A	3.4	4.1	N/A	9.1%	9.5%	N/A

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.