

Medco Energi Internasional

HOLD (downgrade)

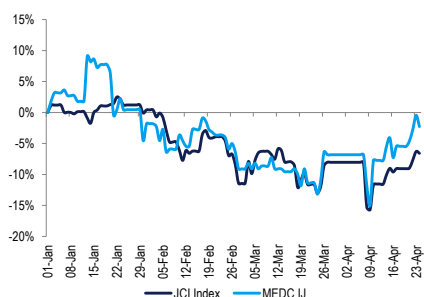
Company update | MEDC IJ | 24 April 2025

Stock Data

Target price	Rp1,200
Prior TP	Rp1,700
Current price	Rp1,075
Upside/downside	+12%
Shares outstanding (mn)	25,136
Market cap (Rp bn)	27,021
Free float	22%
Avg. 6m daily T/O (Rp bn)	33

Price Performance

	3M	6M	12M
Absolute	-2.7%	-19.8%	-26.9%
Relative to JCI	6.2%	-4.7%	-19.1%
52w low/high (Rp)	935 – 1,480		



Major Shareholders

Medco Daya Abadi Lestari	51.6%
Diamond Bridge Pte Ltd	21.5%

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Lack of catalysts and bearish oil underpins our EPS/rating downgrade

- MEDC' share price (-2% YTD) outperforms global oil & gas peers (-16% YTD), which we think is partly due to its exposure to AMMN.
- We remain bearish on oil price, and expect oil to trade at US\$60-70/bbl ([report](#)), which shall led to downward revision in EPS on lower ASP.
- As AMMN recorded no concentrates export in 1Q25F, our FY25F NP estimates are significantly lower vs. consensus. Downgrade to Hold

Share price has remain resilient but no immediate catalysts

MEDC share price (-2% YTD) has been outperforming JCI (-7% YTD) and global oil & gas E&P peers (-16% YTD) in spite of significantly lower oil price (currently trades at US\$66/bbl; -11% YTD) and tariffs talks that have been discussed since early 2025. We think there are two particular reasons for MEDC's outperformance: 1) it has an exposure to gold price via its c.20% stake to AMMN, and 2) several E&P players such as Canadian oil players were heavily impacted by the tariff talks/overhang even prior to Liberation Day; which was then exacerbated by negative surprise from OPEC+ production increase of ~411k bblpd starting May25 ([report](#)).

We remain bearish on oil, expect price to trade between US\$60-70/bbl

As stated in our previous [report](#), we think oil demand is unlikely to grow in FY25F due to recession/stagflation risks in the US, continuously soft economic growth in China, and uncertainties surrounding tariff/trade talks, while at the same time, supply is expected to increase following recent action from OPEC+ with even higher spare capacity from Saudi (up to c.1.7mn bblpd) potentially also gradually released back to the market. Furthermore, there have been talks recently in regards to OPEC+ to continue accelerating their production increase in the Jun25 meeting, which would point out to a bearish environment. Hence, we expect oil to trade between US\$60-70/bbl price range throughout the rest of FY25F

Downgrade to Hold with a lower TP of Rp1,200/share

As we expect oil price to trade range-bound for the rest of FY25F, we assumed an average of US\$71/bbl Brent oil price in FY25F as 1Q25F oil price was higher at ~US\$73/bbl, and this shall affect c.40% of MEDC's revenue (combined oil & gas) that are indexed to Brent oil price movement. With AMMN yet to record any concentrate exports in 1Q25F, as per our channel check, combined with significantly lower volume guidance as it awaits smelter commissioning and Phase 8 transition, we expect AMMN to record a loss in FY25F. Thus, we downgrade our FY25F/26F NP estimates by -28%/-15%, respectively, and lower our target price to Rp1,200/share (from Rp1,700/share), underpinned our downgrade to Hold (from Buy). China stimulus & MEDC's aggressive buyback are the upside risks to our call.

Financial Summary (US\$ mn)	2023A	2024A	2025F	2026F	2027F
Revenue	2,249	2,399	2,196	2,021	2,072
EBITDA	1,255	1,272	1,177	1,132	1,175
Net profit	331	367	193	316	361
EPS growth	-38%	11%	-47%	63%	14%
ROE	18%	17%	9%	13%	13%
PER (x)	5.1	4.6	8.7	5.3	4.7
EV/EBITDA (x)	3.7	3.4	3.6	3.5	3.1
Dividend yield	4%	4%	4%	4%	0%
IPS vs. consensus			60%	96%	107%

Source: Company, Indo Premier

Share price closing as of: 24 April 2025

Fig. 1: Old vs New forecast

MEDC		New forecast			Forecast change			Consensus			Indo Premier vs Consensus		
US\$ mn	2024A	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F	2025F	2026F	2027F
Revenues	2,399	2,196	2,021	2,072	-8%	-10%	na	2,212	2,204	2,279	99%	92%	91%
Gross profit	933	860	829	889	-18%	-21%	na	995	1,007	887	86%	82%	100%
Operating profit	717	643	606	659	-20%	-23%	na	744	735	613	86%	82%	107%
EBITDA	1,272	1,177	1,132	1,175	-11%	-13%	na	1,227	1,222	1,168	96%	93%	101%
NPAT	367	196	324	374	-28%	-15%	na	324	328	338	61%	99%	111%
%y-y													
Revenues		-8%	-8%	3%				-8%	0%	3%			
Gross profit		-8%	-4%	7%				7%	1%	-12%			
Operating profit		-10%	-6%	9%				4%	-1%	-17%			
EBITDA		-7%	-4%	4%				-4%	0%	-4%			
NPAT		-47%	65%	15%				-12%	1%	3%			
Gross margin	38.9%	39.1%	41.0%	42.9%				45.0%	45.7%	38.9%	-5.9%	-4.6%	4.0%
Operating margin	29.9%	29.3%	30.0%	31.8%				33.6%	33.4%	26.9%	-4.4%	-3.4%	4.9%
EBITDA margin	53.0%	53.6%	56.0%	56.7%				55.5%	55.4%	51.3%	-1.9%	0.6%	5.5%
NPAT margin	15.3%	8.9%	16.0%	18.0%				14.6%	14.9%	14.8%	-5.7%	1.2%	3.2%

Source: Bloomberg, Indo Premier

Fig. 2: Operational summary

Valuation	Basis	Multiples (x)	Base value (US\$ mn)	Value (US\$ mn)
Oil & Gas (E&P upstream)	FY 25F EV/EBITDA	2.5	1,175	2,937
Power	FY 25F PBV	1.0	504	504
Amman Mineral (AMMN), 21% stake	12-month forward P/E	17.5	264	967
Total				4,408
Enterprise value (US\$ mn)		2,937		
(-) Debt		(3,195)		
(+) Cash		626		
(+) Power + AMMN		1,471		
Equity value (US\$ mn)		1,839		
bn shares		25.1		
Equity value (Rp/share)		1,200		

Source: Bloomberg, Indo Premier

Fig. 3: Peers comparison table

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	9.6	8.1	7.6	7.0	5.2	4.5	8.7%	6.8%	0.0%
MEDC IJ	Medco Energi Internasional	Hold	1,200	8.7	5.3	4.7	3.6	3.5	3.1	3.6%	3.7%	2.0%
PGEO IJ	Pertamina Geothermal	Hold	850	14.5	12.7	11.7	7.9	7.1	6.4	5.4%	5.2%	0.0%
PGAS IJ	Perusahaan Gas Negara	Hold	1,500	7.5	9.6	N/A	3.5	4.2	N/A	8.9%	9.3%	N/A

Source: Bloomberg, Indo Premier

Income Statement (US\$ mn)	2023A	2024A	2025F	2026F	2027F
Net revenue	2,249	2,399	2,196	2,021	2,072
Cost of sales	(1,216)	(1,466)	(1,342)	(1,206)	(1,207)
Gross profit	1,034	933	854	815	865
SG&A Expenses	(241)	(217)	(217)	(223)	(230)
Operating profit	792	717	637	592	635
Net interest	(227)	(221)	(215)	(164)	(134)
Income from associates	39	113	(73)	140	147
Others	123	63	0	0	0
Pre-tax income	728	671	348	568	649
Income tax	(340)	(289)	(150)	(245)	(280)
Minority interest	(42)	(2)	(1)	(1)	(1)
Discontinued operations	15	13	4	6	7
Net income	331	367	193	316	361

Balance Sheet (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Cash & equivalent	354	637	626	941	1,230
Receivable	348	361	331	304	312
Inventory	127	156	143	128	129
Other current assets	718	663	663	663	663
Total current assets	1,547	1,817	1,763	2,037	2,333
Fixed assets	65	109	161	212	263
Other non-current assets	5,857	6,001	5,680	5,630	5,580
Total non-current assets	5,922	6,110	5,841	5,842	5,844
Total assets	7,468	7,927	7,604	7,879	8,177
ST loans	148	55	0	0	0
Payable	288	344	315	283	283
Other payables	202	238	240	240	240
Current portion of LT loans	0	0	0	0	0
Other current liabilities	784	869	228	228	228
Total current liab.	1,422	1,505	783	751	751
Long term loans	2,900	2,871	3,195	3,225	3,225
Other LT liab.	1,119	1,199	1,155	1,155	1,155
Total non-current liabilities	4,019	4,070	4,350	4,380	4,380
Total liabilities	5,441	5,576	5,133	5,131	5,131
Equity	121	121	121	121	121
Retained earnings	1,248	1,545	1,665	1,942	2,240
Minority interest	659	685	685	685	685
Total SHE + minority int.	2,028	2,351	2,471	2,748	3,046
Total liabilities & equity	7,468	7,927	7,604	7,879	8,177

Source: Company, Indo Premier

Cash Flow Statement (US\$ mn)	2022A	2023A	2024F	2025F	2026F
Net income	122	322	186	316	361
Depr. & amortization	562	453	548	540	540
Changes in working capital	80	80	(36)	9	(8)
Others	0	0	0	0	0
Cash flow from operating	763	855	697	865	893
Capital expenditure	(1,104)	(478)	(279)	(541)	(541)
Others	(15)	(128)	0	0	0
Cash flow from investing	(1,119)	(606)	(279)	(541)	(541)
Loans	169	111	(356)	30	0
Equity	5	(7)	0	0	0
Dividends	(64)	(70)	(73)	(39)	(63)
Others	0	0	0	0	0
Cash flow from financing	110	34	(429)	(9)	(63)
Changes in cash	(246)	283	(11)	315	289

Key Ratios	2022A	2023A	2024F	2025F	2026F
Gross margin	46%	39%	39%	40%	42%
Operating margin	35%	30%	29%	29%	31%
Pre-tax margin	32%	28%	16%	28%	31%
Net margin	15%	15%	9%	16%	17%
ROA	4%	5%	3%	4%	4%
ROE	18%	17%	9%	13%	13%
Acct. receivables TO (days)	6.5	6.6	6.6	6.6	6.6
Inventory TO (days)	9.6	9.4	9.4	9.4	9.4
Payable TO (days)	4.2	4.3	4.3	4.3	4.3
Debt to equity	2.0	1.8	1.6	1.4	1.3
Interest coverage ratio (x)	2.9	2.3	2.1	2.0	2.2
Net gearing	1.6	1.6	1.3	1.1	0.9

Source: Company, Indo Premier