

# Medco Energi Internasional Tbk (MEDC IJ)

## Memacu Kinerja di Tengah Lesunya Pasar

Kinerja MEDC pada 9M19 sudah lebih baik secara tahunan, terlihat dari peningkatan pendapatan 10,3% YoY yang ditopang peningkatan penjualan minyak 17,7% YoY. Metode pencatatan depresiasi Ophir yang telah disesuaikan membuat EBITDA meningkat 4,9% YoY. Prospek MEDC pada 2020 masih akan positif mengingat ada potensi dari aset baru.

### Kinerja Cukup Memuaskan

Pada 9M19, mencetak pendapatan sebesar USD1,02 billion (+10.3% YoY) yang ditopang oleh kenaikan dari segmen minyak & gas sebesar USD852,7 million (+12,6% YoY) akibat peningkatan pengangkutan & penjualan menjadi 30,6 MBOPD (+17,7% YoY) walaupun ASP yang menurun menjadi USD62,5/barrel (-9,2% YoY). Meskipun biaya tunai meningkat menjadi USD9,5/BOE (+9,2% YoY), metode pencatatan depresiasi Ophir yang sudah disesuaikan dengan standar MEDC membuat 9M19 EBITDA menjadi USD477 million (+4,9%) sehingga MEDC berhasil mencatatkan laba bersih sebesar USD19,2 million (+73,9% YoY).

### Pendapatan diluar Minyak yang Berpotensi Stabil

MEDC saat ini mempunyai keuntungan dari level eksposur yang lebih rendah terhadap volatilitas harga minyak daripada kompetitornya di Asia Pasifik yang memiliki porsi produksi gas sebesar 58%. Total produksi gas MEDC yang mencapai 60% dan dijual kepada pelanggan dengan harga *fixed-rate* merupakan cara efisien manajemen internal MEDC untuk meminimalisi risiko komoditas. Untuk menstabilkan pendapatan, MEDC juga melakukan diversifikasi melalui anak usaha Amman Mineral yang terus meningkatkan kapasitas produksi tembaga dan emas dari .

### Aset Baru yang Produktif

Aset baru MEDC di Blok A Aceh mulai 1H19 secara bertahap mampu memproduksi gas sebanyak 50 BBTUPD atau mencapai 7x lebih besar dari produksi pada awal 2018 yang mencapai 6 BBTUPD. Berdasarkan faktor tersebut, kami memperkirakan MEDC pada 2020 akan mampu membukukan biaya pemulihan di rentang 85%-90% sehingga dapat mendukung kinerja keuangan MEDC yang bersumber dari pendapatan dari minyak & gas.

### Rating BUY dengan Target Harga Rp1.100

Moody's meningkatkan CFR MEDC dari B1 ke B2 yang mengakui peningkatan fundamental MEDC. Selain itu, profil likuiditas kuat MEDC berpotensi meningkatkan kinerja 2020. Oleh karena itu, kami merekomendasikan BUY dengan target harga Rp1.100 atau potensi *upside* 22,9% berdasarkan metode forward EV/EBITDA 4,9x (-0,15 SD). Saat ini, MEDC diperdagangkan dengan EV/EBITDA 2019F sebesar 4,3x.

### Medco Energi Internasional Tbk | Summary

	2018A	2019F	2020F	2021F
<b>Sales</b>	1,212	1,387	1,498	1,571
<b>Growth</b>	33.9%	14.5%	8.0%	4.8%
<b>EBITDA</b>	584	675	777	836
<b>Net Profit</b>	-51	21	47	54
<b>EPS (IDR)</b>	-45	16	37	42
<b>Growth</b>	-140.4%	-140.4%	127.2%	14.9%
<b>P/E</b>	-19.6x	53.1x	23.6x	20.8x
<b>P/BV</b>	0.7x	0.8x	0.8x	0.8x
<b>EV/EBITDA</b>	4.1x	4.3x	3.4x	3.1x
<b>ROE</b>	-3.7%	1.5%	3.3%	3.7%
<b>DER</b>	202.4%	244.7%	228.0%	220.2%
<b>Net Debt</b>	2,389	2,896	2,676	2,576

Unit: USD mn, %, x

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

## Buy

<b>Dec 2020 TP (IDR)</b>	<b>1,100</b>
Consensus Price (IDR)	1,007
TP to Consensus Price	+9.2%
vs. Last Price	+22.9%

### Shares data

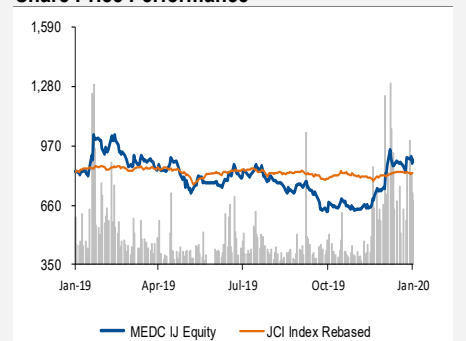
Last Price (IDR)	895
Price Date as of	Jan 10, 2020
52 wk Range (Hi/Lo)	1,060 / 620
Free Float (%)	26.4
Outstanding sh.(mn)	17,920
Market Cap (IDR bn)	16,039
Market Cap (USD mn)	1,171
Avg. Trd Vol - 3M (mn)	46.1
Avg. Trd Val - 3M (bn)	38.1
Foreign Ownership	6.2%

### Mining

#### Oil & Gas

Bloomberg	MEDC IJ
Reuters	MEDC.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-13.3%	20.1%	32.6%	7.2%
Rel. Ret.	-13.1%	18.7%	30.4%	8.0%

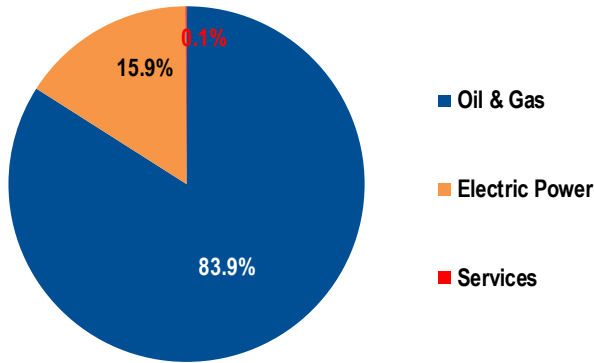
### Meilki Darmawan

(021) 50889128

meilki.darmawan@nhsec.co.id

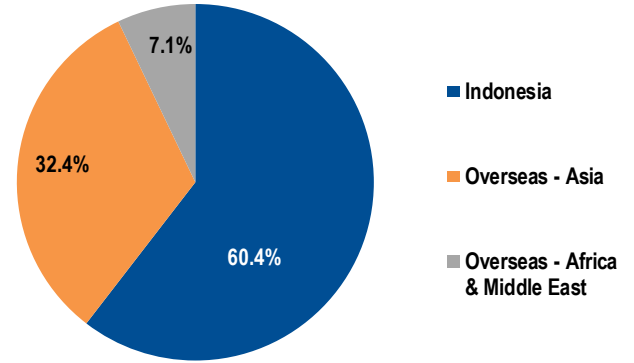
## Performance Highlights in Charts

9M19 Revenue Breakdown (Segment)



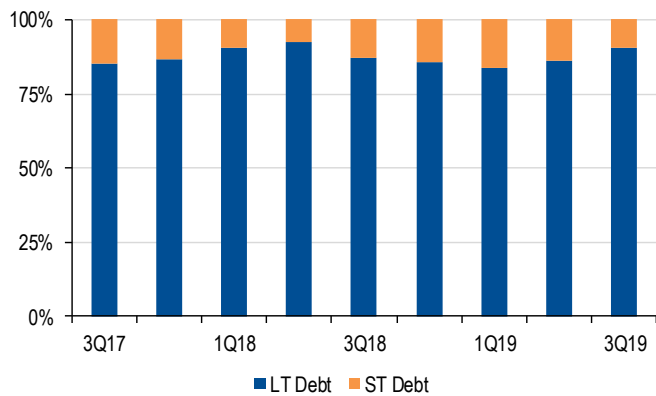
Source: Company Data, NHKS Research

9M19 Revenue Breakdown (Geography)



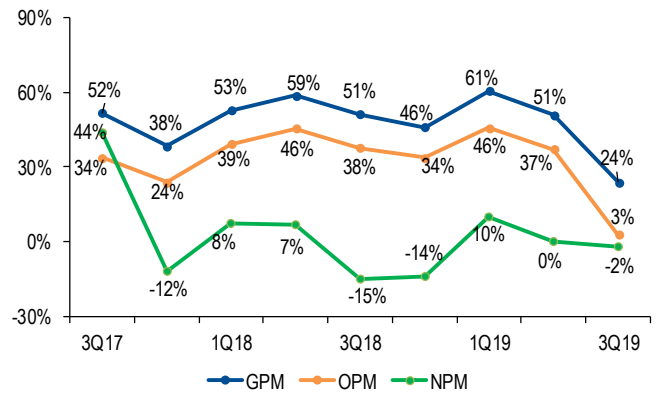
Source: Company Data, NHKS Research

Debt Portion



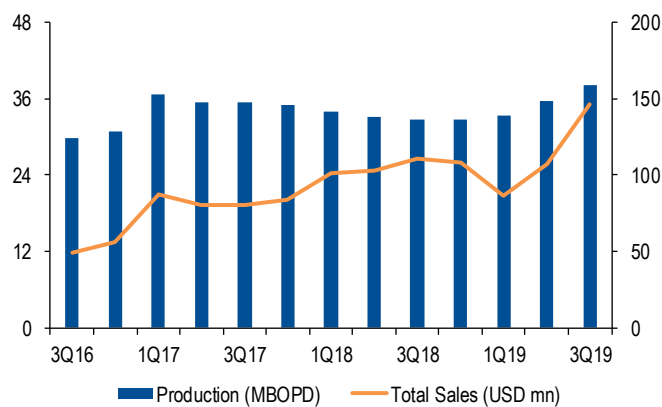
Source: Company Data, NHKS Research

Margin Ratios



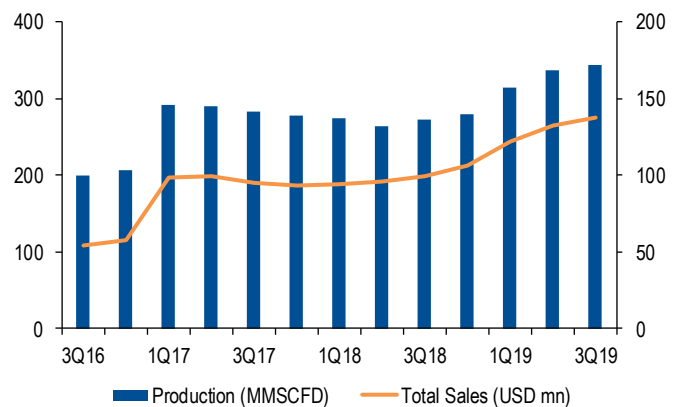
Source: Company Data, NHKS Research

Oil Statistics



Source: Company Data, NHKS Research

Gas Statistics



Source: Company Data, NHKS Research

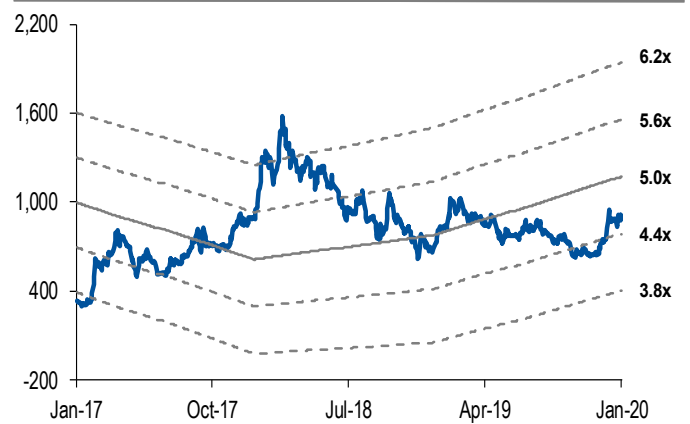
## Valuation Highlights in Charts

3-Year Forward EV/EBITDA Band



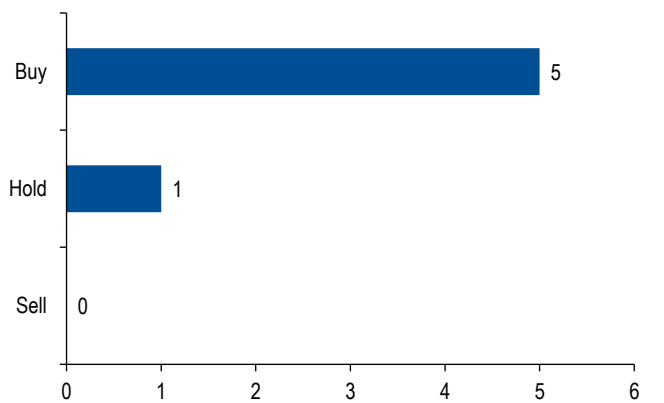
Source: Bloomberg, NHKS Research

3-Year Dynamic Forward EV/EBITDA Band



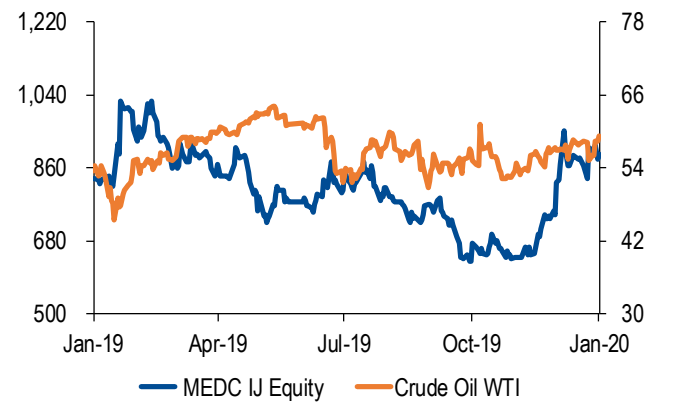
Source: Bloomberg, NHKS Research

Recommendations by Analysts



Source: Bloomberg, NHKS Research

Stock and Oil Prices Correlated Negatively



Source: Bloomberg, NHKS Research

## Quarterly Review

	3Q18	4Q18	1Q19	2Q19	3Q19			4Q19E	
					Actual	Estimate	Y-Y		Q-Q
<b>Income statement</b>									
Sales	349	291	284	342	390		11.9%	14.3%	371
Gross Profit	179	134	172	174	93		-47.9%	-46.7%	166
EBIT	132	98	130	127	11		-91.8%	-91.5%	96
EBITDA	153	131	159	183	134		-12.4%	-27.0%	199
Net Profit	-53	-40	28	-0.2	-9		83.6%	-4447.1%	2
<b>Margin</b>									
Gross Margin	51.2%	46.0%	60.7%	51.1%	23.8%		-27.4%	-27.2%	44.8%
EBIT Margin	37.7%	33.8%	45.8%	37.2%	2.7%		-34.9%	-34.4%	25.8%
EBITDA Margin	43.5%	45.2%	56.2%	53.6%	34.4%		-9.5%	-19.4%	53.5%
Net Profit Margin	-15.1%	-13.8%	9.9%	-0.1%	-2.2%		12.9%	-2.1%	0.4%

Unit: USD mn, %

Source: Company Data, NHKS Research

## Earnings Revision

		2019F	2020F	2021F
<b>Income Statement</b>				
Sales	-Revised	1,387	1,498	1,571
	-Previous	1,317	1,419	
	-Change	5.3%	5.5%	
Gross Profit	-Revised	606	663	712
	-Previous	615	612	
	-Change	-1.5%	8.3%	
EBIT	-Revised	363	453	492
	-Previous	401	413	
	-Change	-9.4%	9.7%	
EBITDA	-Revised	675	777	836
	-Previous	554	584	
	-Change	21.8%	33.1%	
Net Profit	-Revised	21	47	54
	-Previous	164	180	
	-Change	-87.3%	-73.8%	
<b>Margin</b>				
Gross Margin	-Revised	43.7%	44.3%	45.3%
	-Previous	46.7%	43.1%	
EBIT Margin	-Revised	26.2%	30.3%	31.3%
	-Previous	30.4%	29.1%	
EBITDA Margin	-Revised	48.7%	51.9%	53.2%
	-Previous	42.1%	41.2%	
Net Profit Margin	-Revised	1.5%	3.2%	3.5%
	-Previous	12.5%	12.7%	

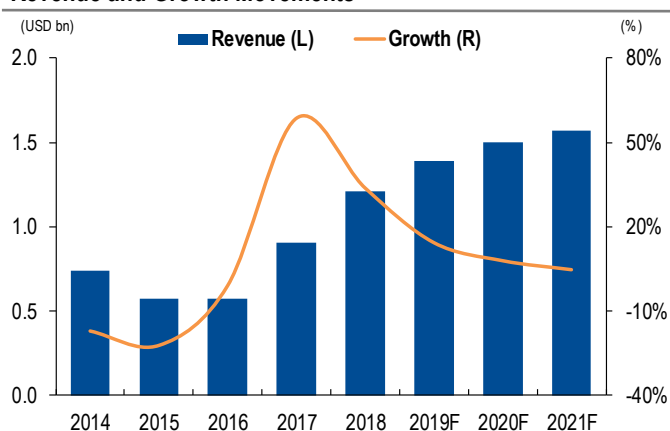
Unit: USD mn, %

Source: Company Data, NHKS Research

## Company Overview

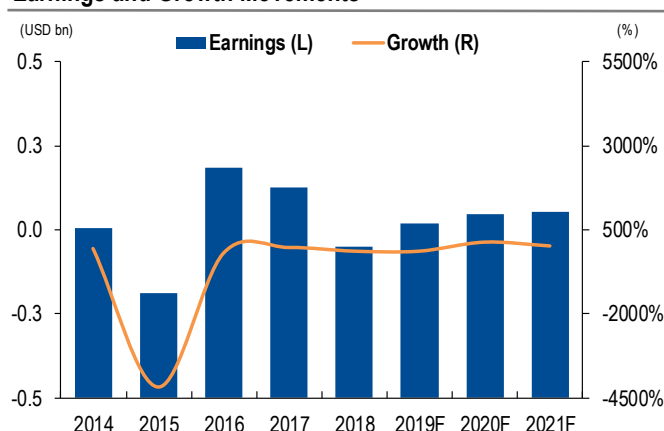
- PT Medco Energi Internasional Tbk (MEDC) merupakan perusahaan yang bergerak di bidang eksplorasi dan produksi minyak dan gas pertama di Indonesia. MEDC merupakan salah satu unit bisnis dari Medco Group yang membawahi bidang energi.
- Dalam tiga dekade, MEDC mengembangkan bisnisnya sebagai perusahaan energi yang mengintegrasikan proses eksplorasi, produksi minyak dan gas, pengolahan Liquefied Petroleum Gas (LPG), pemasaran diesel berkecepatan tinggi, penyimpanan dan transportasi, pembangkit tenaga listrik, transportasi gas, rig pengeboran, serta jasa dan penambangan batu bara, emas dan tembaga.
- Upaya MEDC untuk memperkuat posisi keuangan Perusahaan telah tercermin oleh peningkatan peringkat kreditnya. MEDC menerima peningkatan peringkat dari B ke B+ dari Fitch Ratings, dan B2 dengan prospek Positif (Moody's) dan B dengan prospek Positif (S&P). Lembaga pemeringkat lokal Pefindo memberi peringkat MEDC sebagai A+ dengan prospek Stabil.
- Saat ini, MEDC mampu mencapai produksi minyak dan gas sebesar 85 MBOEPD dan biaya tunai per unit sebesar USD 8,7/BOE.

### Revenue and Growth Movements



Source: Company Data, NHKS Research

### Earnings and Growth Movements



Source: Company Data, NHKS Research

### Asia Pacific Peers Analysis

	Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Profit Margin	ROE LTM	EV/EBITDA LTM	P/BV
<b>Indonesia</b>									
MEDCO ENERGI INTERNSIONAL TBK	1,172	5,252	1,307	-21	56.6%	-1.6%	-1.7%	6.5x	0.9x
<b>Japan</b>									
INPEX CORP	15,609	43,275	10,077	1,196	197.3%	11.9%	4.4%	3.9x	0.6x
<b>China</b>									
CNOOC LTD	78,157	98,681	33,728	8,420	69.5%	25.0%	13.9%	3.7x	1.3x
UNITED ENERGY	4,702	2,062	813	217	9.3%	26.8%	15.1%	8.6x	3.1x
<b>Australia</b>									
WOODSIDE PETROLEUM	23,011	27,088	5,112	1,242	13.1%	24.3%	7.3%	7.8x	1.4x
OIL SEARCH LTD	8,242	10,674	1,755	424	68.1%	24.2%	8.4%	8.5x	1.6x
<b>Thailand</b>									
PTT EXPLORATION	17,288	19,645	5,823	1,453	25.1%	25.1%	13.1%	3.6x	1.5x

Unit: USD mn, %, X

Source: Bloomberg, NHKS Research

## Summary of Financials

## INCOME STATEMENT

(USD mn)	2018/12F	2019/12F	2020/12F	2021/12F
<b>Sales</b>	<b>1,212</b>	<b>1,383</b>	<b>1,491</b>	<b>1,564</b>
<i>Growth</i>	33.9%	14.2%	7.8%	4.9%
COGS	(580)	(779)	(831)	(855)
<b>Gross Profit</b>	<b>631</b>	<b>604</b>	<b>660</b>	<b>709</b>
<i>Gross Margin</i>	52.1%	43.7%	44.3%	45.3%
Operating Expenses	(159)	(242)	(209)	(219)
<b>EBIT</b>	<b>472</b>	<b>363</b>	<b>451</b>	<b>490</b>
<i>EBIT Margin</i>	39.0%	26.2%	30.3%	31.3%
Depreciation	112	312	324	344
<b>EBITDA</b>	<b>584</b>	<b>674</b>	<b>775</b>	<b>834</b>
<i>EBITDA Margin</i>	48.2%	48.7%	52.0%	53.3%
Interest Expenses	(189)	(274)	(274)	(274)
<b>EBT</b>	<b>200</b>	<b>195</b>	<b>296</b>	<b>341</b>
Income Tax	(196)	(174)	(235)	(271)
Minority Interest	(23)	(9)	(14)	(16)
<b>Net Profit</b>	<b>(51)</b>	<b>21</b>	<b>47</b>	<b>54</b>
<i>Growth</i>	-140.4%	-140.4%	125.7%	15.0%
<i>Net Profit Margin</i>	-4.2%	1.5%	3.1%	3.4%

## PROFITABILITY &amp; STABILITY

	2018/12F	2019/12F	2020/12F	2021/12F
ROE	-3.7%	1.5%	3.3%	3.6%
ROA	-1.0%	0.4%	0.8%	0.9%
ROIC	0.2%	0.8%	2.0%	2.1%
Cash Dividend (IDR bn)	N/A	N/A	N/A	N/A
Dividend Yield	N/A	N/A	N/A	N/A
Payout Ratio	N/A	N/A	N/A	N/A
DER	202.4%	244.7%	228.0%	220.0%
Net Gearing	331.8%	391.8%	359.6%	341.5%
LT Debt to Equity	173.4%	209.7%	195.3%	188.5%
Capitalization Ratio	66.9%	71.0%	69.5%	68.8%
Equity Ratio	26.4%	22.8%	23.5%	22.8%
Debt Ratio	53.5%	55.9%	53.6%	50.1%
Financial Leverage	370.0%	381.1%	429.5%	425.5%
Current Ratio	165.8%	144.7%	159.8%	156.3%
Par Value (IDR)	25	25	25	25
Total Shares (mn)	17,794	17,794	17,794	17,794
Share Price (IDR)	875	875	875	875
Market Cap (IDR tn)	15.6	15.6	15.6	15.6

## BALANCE SHEET

(USD mn)	2018/12F	2019/12F	2020/12F	2021/12F
Cash	418	457	571	691
Receivables	167	303	215	557
Inventories	62	185	115	133
<b>Total Current Assets</b>	<b>1,827</b>	<b>1,962</b>	<b>2,000</b>	<b>2,439</b>
Net Fixed Assets	1,907	2,348	2,299	2,244
Other Non Current Asset	1,518	1,686	1,754	1,837
<b>Total Assets</b>	<b>5,252</b>	<b>5,996</b>	<b>6,053</b>	<b>6,520</b>
Payables	119	231	140	241
ST Bank Loan	402	480	465	468
LT Debt	2,405	2,871	2,779	2,796
<b>Total Liabilities</b>	<b>3,865</b>	<b>4,627</b>	<b>4,631</b>	<b>5,036</b>
Capital Stock & APIC	481	489	489	489
Retained Earnings	737	746	793	847
<b>Shareholders' Equity</b>	<b>1,387</b>	<b>1,369</b>	<b>1,423</b>	<b>1,484</b>

## VALUATION INDEX

	2018/12F	2019/12F	2020/12F	2021/12F
Price/Earnings	-19.6x	53.2x	23.8x	21.0x
Price/Book Value	0.7x	0.8x	0.8x	0.8x
Price/Sales	0.8x	0.8x	0.7x	0.7x
PE/EPS Growth	0.1x	-0.4x	0.2x	1.4x
EV/EBITDA	4.1x	4.3x	3.4x	3.1x
EV/EBIT	5.0x	8.0x	5.9x	5.2x
EV (IDR bn)	36,681	40,679	37,170	35,251
Sales CAGR (3-Yr)	28.2%	34.3%	18.1%	8.9%
EPS CAGR (3-Yr)	-35.2%	-51.8%	-28.3%	-201.6%
Basic EPS (IDR)	(45)	16	37	42
Diluted EPS (IDR)	(45)	16	37	42
BVPS (IDR)	1,208	1,085	1,118	1,150
Sales PS (IDR)	1,055	1,096	1,171	1,212
DPS (IDR)	N/A	N/A	N/A	N/A

## CASH FLOW STATEMENT

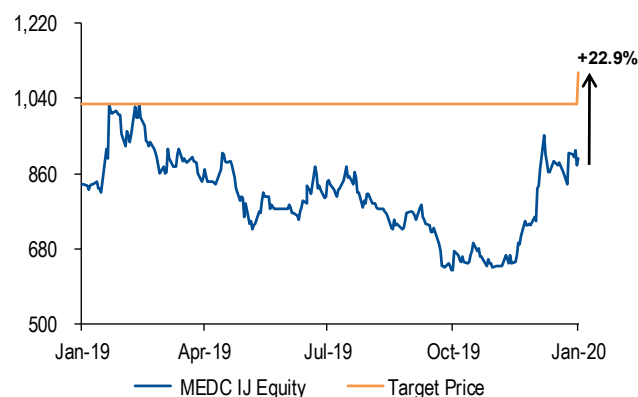
(USD mn)	2018/12F	2019/12F	2020/12F	2021/12F
Operating Cash Flow	(38)	302	358	385
Investing Cash Flow	(159)	(248)	(144)	(292)
Financing Cash Flow	114	153	(100)	27
<b>Net Changes in Cash</b>	<b>(84)</b>	<b>208</b>	<b>114</b>	<b>120</b>

## OWNERSHIP

By Geography	% Shareholders		%
Indonesia	93.8	Medco Raya Abadi	50.0
United States	5.4	Diamond Bridge	21.4
Ireland	0.3	Dimensional Fund	2.0
United Kingdom	0.0	Vanguard Group	1.3

Source: Company Data, NHKS Research

**Closing and Target Price Update**



Source: Bloomberg, NHKS Research

**Rating and Target Price Update**

Date	Rating	Target price	Consensus
2017.02.13	Buy	IDR1,920	IDR1,845
2018.10.16	Buy	IDR1,025	IDR1,371
2020.01.13	Buy	IDR1,100	IDR1,007

Source: NHKS Research

**NHKS stock ratings**

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Buy: greater than +15%, Hold: -15% to +15%, Sell: less than -15%.
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