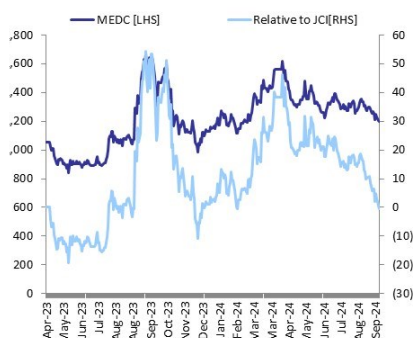


# Buy

(Maintained)

Last Price (Rp)	1,195
Target Price (Rp)	1,700
Previous Target Price (Rp)	1,700
Upside/Downside	+42.3%
No. of Shares (mn)	25,136
Mkt Cap (Rpbn/US\$mn)	30,038/1,950
Avg, Daily T/O (Rpbn/US\$mn)	65.6/4.3
Free Float (%)	22.5
Major Shareholder (%)	
Medco Daya Abadi Lestari	51.7
Diamond Bridge Pte Ltd	21.6
EPS Consensus (US\$cents)	
	2023F 2024F 2025F
BRIDS	1.3 1.2 1.2
Consensus	1.4 1.3 1.2
BRIDS/Cons (%)	(7.1) (7.1) (3.1)

## MEDC relative to JCI Index



Source: Bloomberg

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# Medco Energi International (MEDC IJ)

## No Surprises in FY24-25 guidance

- During the Capital Market Day event, MEDC unveils flat O&G production target, with a 10% growth in power sales from Ijen Geothermal in FY25.
- Medco Power aims to grow an additional 504MW+ 2,025MWp by FY30 through Pulau Bulan Solar PV, Ijen Geothermal, and DEB expansion.
- We maintain a Buy rating with an unchanged SOTP-based TP of Rp1,700.

## FY25 guidance: a conservative growth outlook

In FY25, MEDC aims for a flat oil & gas production of 145-150 mboepd, and a 10% growth in power sales to 4.5GWh (from 4.1GWh in 2024) contributed by Ijen Geothermal, slated for COD in 1Q25. Mgmt also guides for flat FY25 capex at US\$430mn, but with higher allocation in O&G of US\$400mn (from US\$350mn in FY24) and cash cost stay at <US\$10/boe. However, it has added new guidance, namely an ROE target of >15%, which is higher than our estimate of 12%. Additionally, MEDC has announced an interim dividend of Rp15.75/share (vs. Rp15/share in FY23), implying a dividend yield of 1.3%

## Ample room for growth for Medco power

Medco Power operates within 3 main pillars that consist of Geothermal, Gas to power, and Solar PV. Currently, its own capacity stands at 882MW+51MWp, with an additional 504MW+2,025MWp targeted for FY30. The majority of the growth is expected from the Pulau Bulan Solar PV (600MW) which just obtained a conditional license in Sep24 and will proceed to FID by end of FY25 and COD slated for FY28. The project will be a consortium with PacificLight Renewables and Gallant Venture with a gross project cost of US\$3bn and US\$300mn net equity capex. With a target export of 600MW to Singapore, it plans to build 2.7GWp of solar panel along with battery storage system. Other key projects are Ijen geothermal (110MW), and DEB expansion (~215MW).

## Expanding existing O&G reserves through exploration

MEDC divides its assets under 2 criteria, namely value delivery assets and growth assets. **Value delivery** are assets that are being explored further to increase production capabilities, which includes Block B Natuna, Corridor, and Bualuang. Natuna's Forel and W. Belut block will commence in 2H24 and will add up to c.31mboepd for MEDC (vs. 12mboepd in FY24F). Meanwhile, Corridor is exercising seismic surveys to detect nearfield opportunities, with an increase of c.18mboepd in 2034. MEDC has **growth assets** that is targeted to be monetized such as Oman 48, which currently has ongoing seismic study in 4Q24, Senoro-Toili's phase 2B, which is expected to produce an additional 75mmboe, Bangkanai with an incremental growth volume of 81mmboe, and Tanzania, which has had numerous successful offshore discoveries.

## We maintain our Buy rating; no surprises in guidance

We maintain our **Buy** rating on MEDC and an unchanged SOTP-based TP of Rp1,700. Key risks are lower oil prices and AMMN's financial performance.

## Key Financials

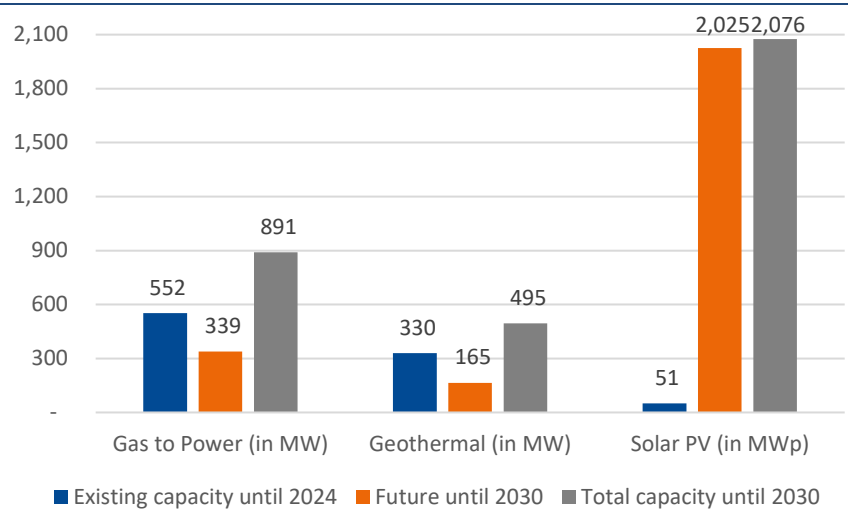
Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
Revenue (US\$mn)	2,312	2,249	2,228	2,120	2,121
EBITDA (US\$mn)	1,588	1,245	1,289	1,242	1,242
Net Profit (US\$mn)	531	331	327	304	292
EPS Growth (%)	1,029.1	(37.7)	(1.1)	(7.2)	(3.7)
PER (x)	3.7	5.9	6.0	6.4	6.7
PBV (x)	1.3	1.1	1.0	0.8	0.8
EV/EBITDA	1.5	2.1	4.1	4.3	4.5

Source: MEDC, BRIDS Estimates

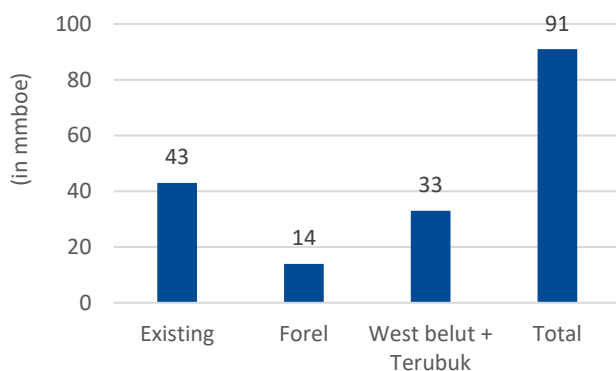
**Exhibit 1. MEDC Acquisition criteria**

<b>Improve profitability and credit profile</b>	Near-term cash flow and synergies
<b>Manageable risks</b>	Subsurface, market access, regulatory environment
<b>Growth potential and upside</b>	Undeveloped reserves and exploration resources Asset life extensions
<b>Consistent with climate change strategy</b>	Emission abatement and energy transition initiatives

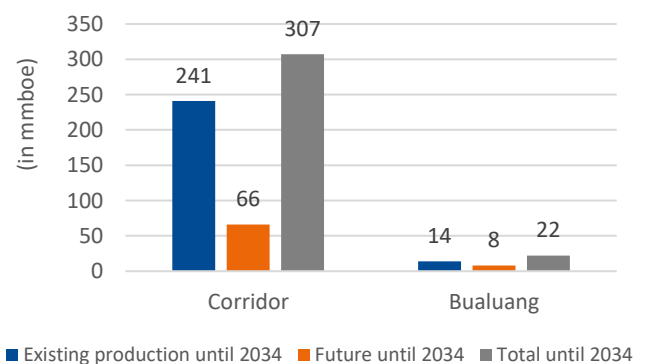
Source: Company

**Exhibit 2. Medco Power Capacity growth over the next 10 years**


Source: Company, BRIDS

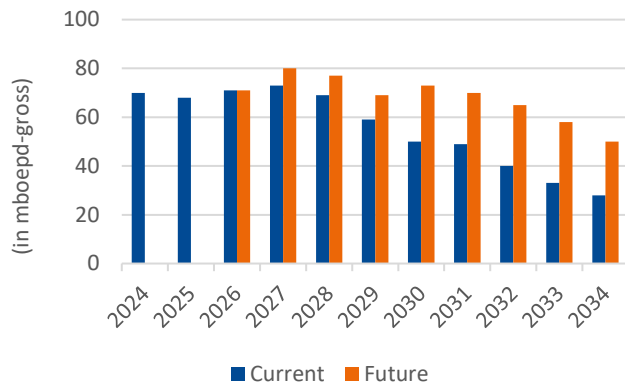
**Exhibit 3. Production increase plan in Block B Natuna**


Source: Company, BRIDS

**Exhibit 4. Production increase plan in Corridor & Bualuang**


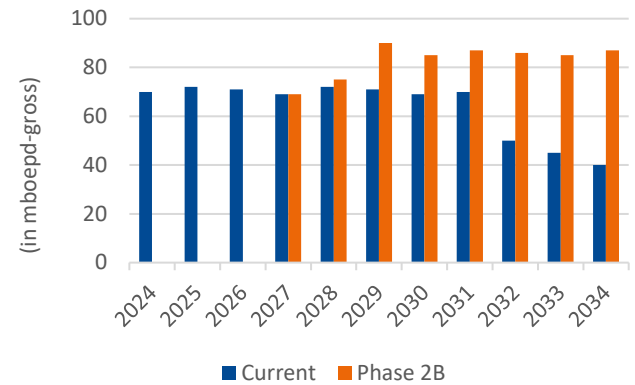
Source: Company, BRIDS

Exhibit 5. Oman 60 additional Production increase



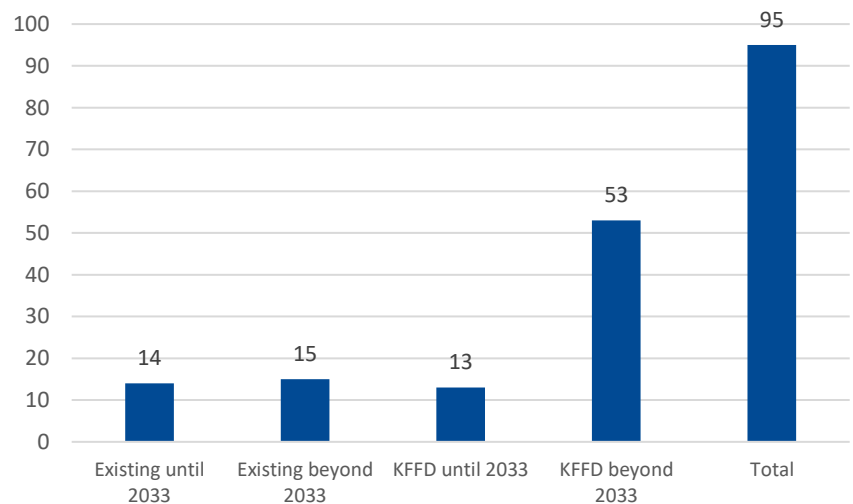
Source: Company, BRIDS

Exhibit 6. Senoro - Toili production increase



Source: Company, BRIDS

Exhibit 7. Potential increment recoverable volume of 81 mmboe



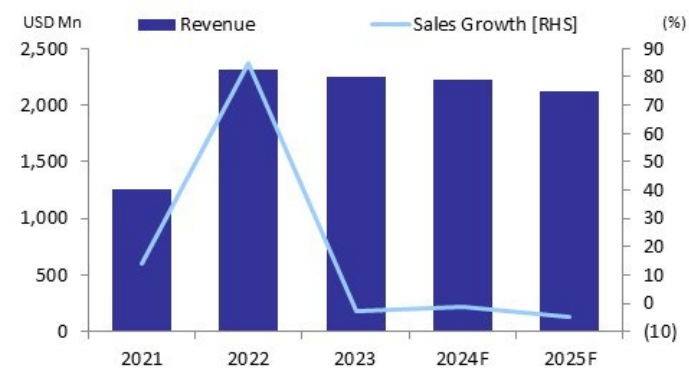
Source: Company, BRIDS

Exhibit 8. SOTP valuation table

SOTP valuation	Method	Equity value (USDmn)	Contributions
Oil and gas	DCF	761	30%
AMMN	Target P/E 2024F 12.6x	1,813	70%
<b>Total equity value (USDmn)</b>		<b>2,573</b>	100%
USD/IDR		16,000	
<b>Total equity value (IDRbn)</b>		<b>41,172</b>	
Outstanding shares (bn)		25	
<b>Target price (IDR/sh)</b>		<b>1,638</b>	
<b>Rounding target price (IDR/sh)</b>		<b>1,700</b>	

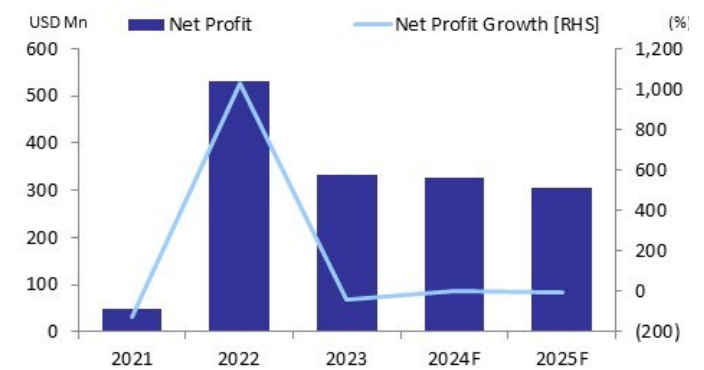
Source: BRIDS Estimates

## Exhibit 9. Revenue and Growth



Source: Company, BRIDS Estimates

## Exhibit 10. Net Profit and Growth



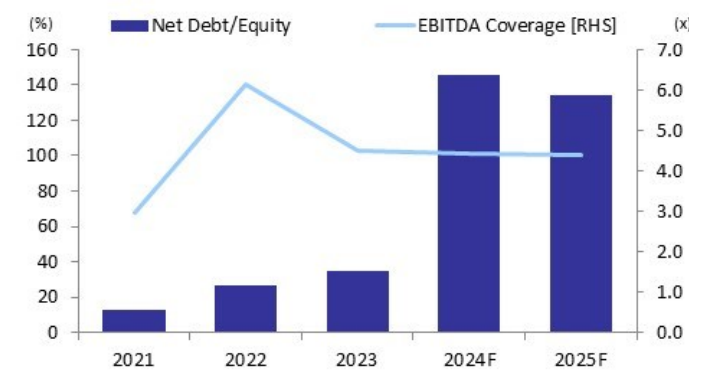
Source: Company, BRIDS Estimates

## Exhibit 11. Margins



Source: Company, BRIDS Estimates

## Exhibit 12. Gearing Level



Source: Company, BRIDS Estimates

**Exhibit 13. Income Statement**

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
<b>Revenue</b>	<b>2,312</b>	<b>2,249</b>	<b>2,228</b>	<b>2,120</b>	<b>2,121</b>
COGS	(1,066)	(1,216)	(1,191)	(1,136)	(1,136)
<b>Gross profit</b>	<b>1,246</b>	<b>1,034</b>	<b>1,036</b>	<b>984</b>	<b>984</b>
<b>EBITDA</b>	<b>1,588</b>	<b>1,245</b>	<b>1,289</b>	<b>1,242</b>	<b>1,242</b>
<b>Oper. profit</b>	<b>1,026</b>	<b>792</b>	<b>811</b>	<b>770</b>	<b>770</b>
Interest income	40	49	29	24	30
Interest expense	(259)	(276)	(291)	(284)	(289)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	233	39	172	155	149
Other Income (Expenses)	7	123	(10)	(10)	(10)
<b>Pre-tax profit</b>	<b>1,046</b>	<b>728</b>	<b>710</b>	<b>655</b>	<b>650</b>
Income tax	(508)	(340)	(374)	(343)	(349)
Minority interest	(21)	(15)	(9)	(9)	(8)
<b>Net profit</b>	<b>531</b>	<b>331</b>	<b>327</b>	<b>304</b>	<b>292</b>
<b>Core Net Profit</b>	<b>518</b>	<b>373</b>	<b>327</b>	<b>304</b>	<b>292</b>

**Exhibit 14. Balance Sheet**

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
Cash & cash equivalent	600	354	296	366	397
Receivables	616	570	549	533	533
Inventory	106	127	121	116	116
Other Curr. Asset	418	485	485	485	485
Fixed assets - Net	62	65	71	77	83
Other non-curr.asset	5,119	5,857	6,325	6,750	7,169
<b>Total asset</b>	<b>6,932</b>	<b>7,468</b>	<b>7,859</b>	<b>8,338</b>	<b>8,794</b>
ST Debt	503	372	394	416	438
Payables	286	405	364	353	353
Other Curr. Liabilities	591	645	645	645	645
Long Term Debt	562	691	3,193	3,371	3,549
Other LT. Liabilities	3,243	3,327	1,004	1,004	1,004
<b>Total Liabilities</b>	<b>5,184</b>	<b>5,441</b>	<b>5,600</b>	<b>5,789</b>	<b>5,989</b>
Shareholder's Funds	1,557	1,829	2,050	2,332	2,580
Minority interests	190	199	208	217	225
<b>Total Equity &amp; Liabilities</b>	<b>6,932</b>	<b>7,468</b>	<b>7,859</b>	<b>8,338</b>	<b>8,794</b>

**Exhibit 15. Cash Flow**

Year to 31 Dec (US\$mn)	2022A	2023A	2024F	2025F	2026F
Net income	531	331	327	304	292
Depreciation and Amort.	562	453	478	473	473
Change in Working Capital	(103)	50	(14)	10	0
Other Oper. Cash Flow	127	(111)	0	0	0
<b>Operating Cash Flow</b>	<b>1,116</b>	<b>723</b>	<b>791</b>	<b>786</b>	<b>765</b>
Capex	(1,620)	(1,173)	(952)	(903)	(897)
Others Inv. Cash Flow	557	543	0	0	0
<b>Investing Cash Flow</b>	<b>(1,063)</b>	<b>(629)</b>	<b>(952)</b>	<b>(903)</b>	<b>(897)</b>
Net change in debt	91	84	200	200	200
New Capital	3	1	0	0	0
Dividend payment	(60)	(64)	(87)	(47)	(45)
Other Fin. Cash Flow	32	(361)	(9)	34	8
<b>Financing Cash Flow</b>	<b>66</b>	<b>(340)</b>	<b>104</b>	<b>187</b>	<b>164</b>
<b>Net Change in Cash</b>	<b>119</b>	<b>(246)</b>	<b>(58)</b>	<b>70</b>	<b>31</b>
Cash - begin of the year	481	600	354	296	366
Cash - end of the year	600	354	296	366	397

**Exhibit 16. Key Ratio**

Year to 31 Dec	2022A	2023A	2024F	2025F	2026F
<b>Growth (%)</b>					
Sales	84.7	(2.7)	(1.0)	(4.8)	0.0
EBITDA	139.9	(21.6)	3.5	(3.6)	0.0
Operating profit	163.6	(22.8)	2.3	(5.1)	0.0
Net profit	1,029.1	(37.7)	(1.1)	(7.2)	(3.7)
<b>Profitability (%)</b>					
Gross margin	53.9	46.0	46.5	46.4	46.4
EBITDA margin	68.7	55.4	57.9	58.6	58.6
Operating margin	44.4	35.2	36.4	36.3	36.3
Net margin	23.0	14.7	14.7	14.3	13.8
ROAA	8.4	4.6	4.3	3.7	3.4
ROAE	40.4	19.5	16.9	13.9	11.9
<b>Leverage</b>					
Net Gearing (x)	0.3	0.3	1.5	1.3	1.3
Interest Coverage (x)	4.0	2.9	2.8	2.7	2.7

Source : MEDC, BRIDS Estimates

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<b>BUY</b>	Expected total return of 10% or more within a 12-month period
<b>HOLD</b>	Expected total return between -10% and 10% within a 12-month period
<b>SELL</b>	Expected total return of -10% or worse within a 12-month period

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