

MEDC

PT Medco Energy Internasional Tbk.

Navigating Challenges, Primed for Recovery

- Higher gas prices and tighter global supply in FY25F support better revenue potential.
- Strong margins and rising net income show MEDC's resilience despite stable production.
- New projects in Oman, Natuna, and renewables will drive production and earnings growth through 2026F.
- Maintain BUY with TP of Rp 1,350 (DCF-based), reflecting 4.4x EV/EBITDA 2025.

FY25F Oil and Gas Price Outlook

Brent crude remains volatile at around USD66/bbl, pressured by potential OPEC+ output hikes and Kazakhstan's production stance, though US-China trade optimism offers some support. Meanwhile, renewed US sanctions on Iran cloud supply outlooks despite easing tensions. US natural gas futures declined to USD3.0/MMBtu on record production and mild weather, but LNG exports remain strong with new highs driven by terminal activity. We project Brent to average USD75/bbl in FY25F (-4% YoY) and natural gas to rise to USD3.8/MMBtu (+50% YoY), backed by tighter global supply and solid export demand.

Steady Margins, Rising Profits

MEDC delivered FY24 revenue of USD2.3 billion (+6.6% YoY), supported by resilient oil and gas production at 152 MBOEPD (-5% YoY), including a full-year contribution from Oman Block 60 of 13 MBOEPD. EBITDA held steady at USD1.27 billion (+1.4% YoY), translating into a solid margin of 55.2% (vs 55.8% in 2023), driven by low unit production cost (USD 8.2/boe) and a favorable mix at 50% of output is gas sold at fixed pricing. Net income rose to USD367 million (+10.9% YoY), supported by improved profitability from Oman. MEDC also continued its deleveraging efforts, cutting net debt by USD400 million to USD2.2 billion and bringing net debt/EBITDA to 1.8x. FY24 capex reached USD438 million (+30.1% YoY), allocated primarily for upstream development in Oman and Natuna, and several renewable energy initiatives.

Oman, Natuna, and Renewables to Drive 2025-26 Expansion

Oman Block 60 contributed 13,000 BOEPD in its first full year, generating USD179mn or 14% of FY24 EBITDA. Progress is ongoing at West Belut, Meliwis, and Suban-27, with Marlin FPSO targeted for first oil in 2Q25. CCS feasibility in Natuna and 3D seismic at Rebonjaro also advanced. FY25 production is guided at 145-150 MBOEPD, supported by 9 new Oman wells, Terubuk gas, and Senoro Phase 2. We expect output to recover to 152 MBOEPD in FY26F, translating into USD2.4bn in oil and gas revenue. Power sales rose to 4,108 GWh (+5.4% YoY), with renewables accounting for 20% of power revenue. Total sales are forecasted to reach 4,500 GWh in FY25, supported by Ijen Geothermal (34.5 MW, COD 1Q25) and East Bali Solar PV (25 MW, COD 2Q26), pushing renewables to 26% of output. The 2 GW Pulau Bulan Solar PV (600 MW export to Singapore), targeted for FID in 2026 and COD by 2029, is expected to be a major long-term driver.

Maintain BUY with TP Rp1.350

We maintain our BUY rating on MEDC with a TP of Rp 1,350 (DCF-based), reflecting 4.4x EV/EBITDA FY25F. Our valuation is derived from a 5-year investment horizon, applying a WACC of 8.3% and terminal growth of 0%. We believe MEDC's improving fundamentals and long-term upside from both conventional and renewable energy platforms position the company for a re-rating. **Key Risks:** Prolonged weakness in global commodity prices and disruptive shifts in energy transition policy.

Key Financial Highlights

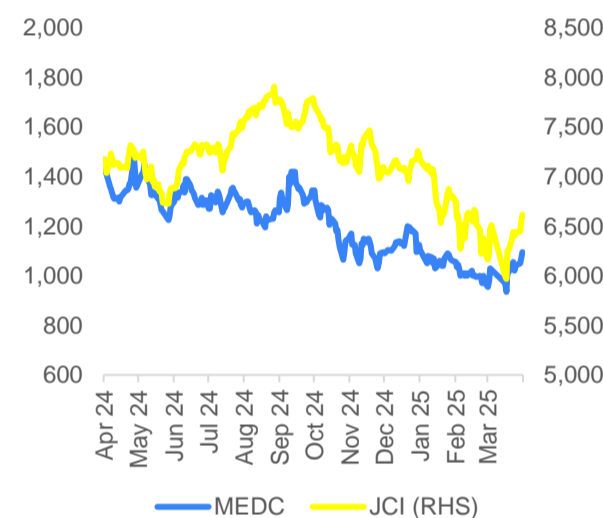
Key Metrics	2022	2023	2024	2025F	2026F
Revenue (Rpbn)	2,312	2,249	2,399	2,338	2,594
EBITDA (Rpbn)	1,588	1,245	1,264	1,171	1,341
Net Profit (Rpbn)	531	331	367	340	400
EPS Growth (%)	1,692.2	-36.5	16.1	-3.6	17.7
P/E (x)	3.22	5.78	4.74	6.07	5.16
P/BV (x)	0.98	0.94	0.74	0.87	0.86
EV/EBITDA (x)	2.82	4.18	4.20	4.56	4.08

BUY

Stock Information (as of 24 April 2025)

Last Price (Rp)	1,075
Target Price (Rp)	1,350
Upside/Downside	25.6%
Market Cap (Rp tn)	27.5
52 Week Range (Rp)	1,550 - 875
Free Float	24.7%
Share Out. (bn)	25.1

Relative to JCI Performance



Shareholders

MEDC Shareholders	Percentage
PT Medco Daya Abadi Lestari	51.50%
Public	24.67%
Diamond Bridge Pte. Ltd	21.46%
Treasury Shares	0.55%
Warkat	0.33%

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INVESTMENT SUMMARY

We maintain a cautiously optimistic view on PT Medco Energi Internasional Tbk (MEDC), balancing near-term earnings pressure from softening oil prices with a strong pipeline of upstream developments and growing contributions from its renewable energy portfolio. MEDC's fundamentals remain supported by disciplined capital allocation, improving leverage metrics, and a clear strategic focus on long-term energy transition. Additionally, its earnings trajectory remains sensitive to fluctuations in oil and gas prices, which continue to shape revenue stability and investment appetite.

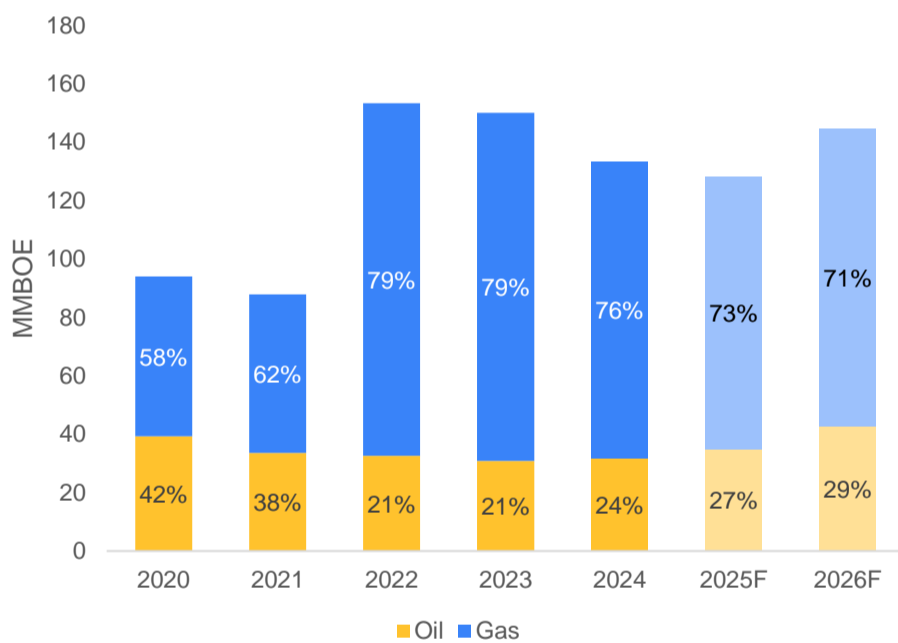
2025-2026 Outlook

MEDC is set to capitalize on its strategic upstream initiatives with a robust 2025 development outlook centered on high-impact assets. In the South Natuna Sea Block B, the Marlin FPSO is on station, with first oil from the Forel field targeted for 2Q25, complementing the West Belut gas field, which commenced production in late 2024. The Corridor PSC will see the continuation of the Suban-27 well program and the completion of a 237 km² 3D seismic survey in the Sumpal area to identify new drill targets. In Oman, nine additional wells are planned in Block 60 as part of an ongoing development and appraisal campaign, while Phase II of the Bangkanai PSC progresses towards POD approval with potential incremental recoverables of 450 Bcf. These projects are supported by a 2025 oil and gas capex guidance of USD400 million, aimed at delivering 145-150 mboepd in production, ensuring MEDC remains on track for sustainable growth and reserve replacement. We project EBITDA to decline by -7.4% YoY in 2025, before rebounding by +14.5% YoY in 2026F, driven by new production contributions fully reflected in 2026F.

In the renewables segment, MEDC continues to advance its energy transition agenda, supported by the full-year contribution from the Ijen Geothermal project and ongoing construction of Phase 2 Bali Solar PV. Gross installed capacity reached 210 MW, underlining the company's growing presence in clean energy. We forecast the power segment to contribute ~10% of total revenue by 2029 (vs 6% in 2024), supported by the 2 GW Pulau Bulan Solar PV project, including 600 MW designated for export to Singapore with premium price, targeted for FID in 2026 and COD by 2029, positioning it as a major long-term growth driver. On the sustainability front, MEDC exceeded its 2030 targets ahead of schedule, cutting GHG emissions by 30% and methane by 46% from its 2019 baseline. ESG ratings also improved, with MSCI upgrading MEDC to AA (2023: A) and Sustainalytics ranking it in the global top 10% among oil and gas peers. We believe that stronger ESG performance boosts bondholder confidence and supports MEDC's long-term investment appeal.

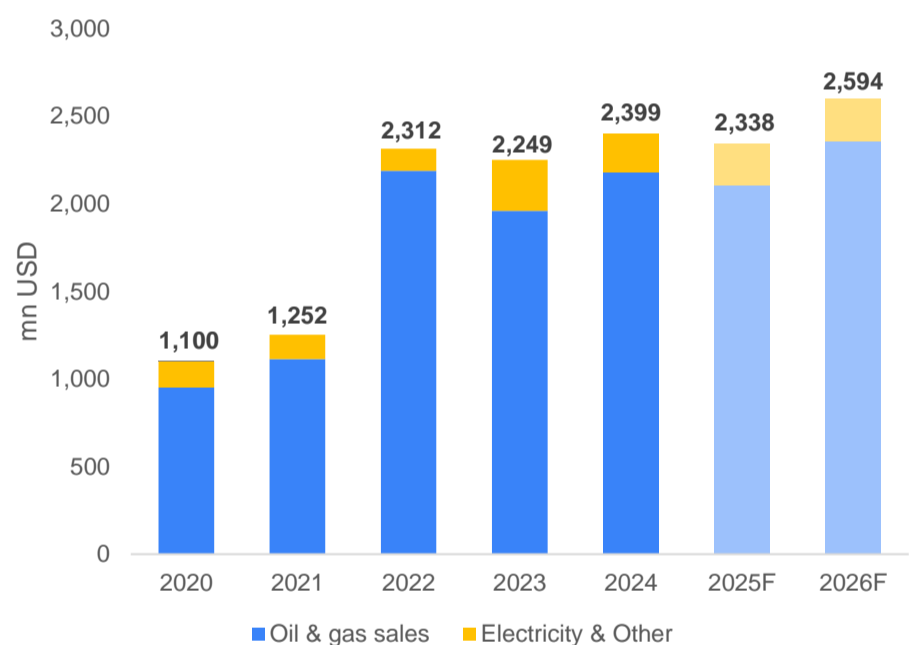
In 2025, MEDC plans to maintain disciplined capital allocation with a total capex budget of approximately USD450 million, reflecting a strategic balance between sustaining upstream production and expanding its renewables portfolio. Of this, around USD400 million will be allocated to oil and gas developments across the Natuna, Corridor, and Oman blocks, while USD30 million is allocated for renewables, including further progress on Ijen and new solar PV projects. The company remains committed to deleveraging efforts, and we project the Net Debt/EBITDA ratio will remain below 2.0x through 2025-2026F, supported by solid operating cash flow generation.

Figure 1. Oil and Gas Production



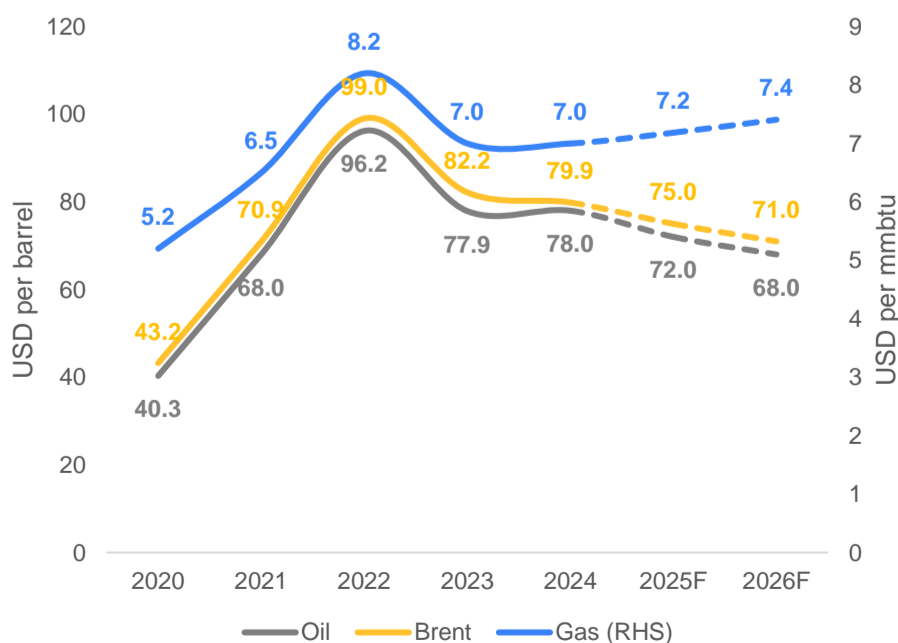
Source: Company, Ajaib Research

Figure 2. Revenue Breakdown



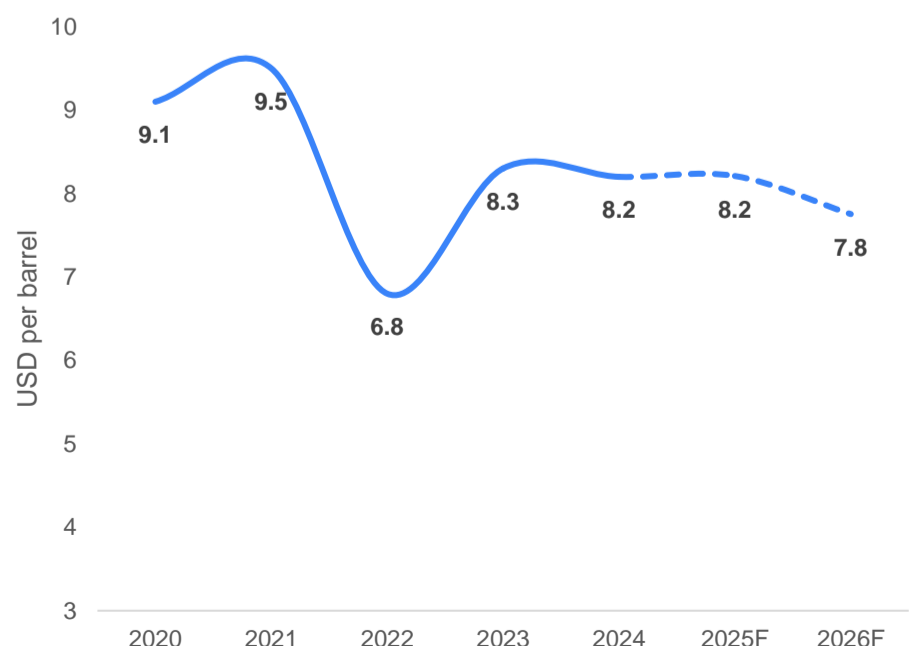
Source: Company, Ajaib Research

Figure 3. Average Selling Price Projection



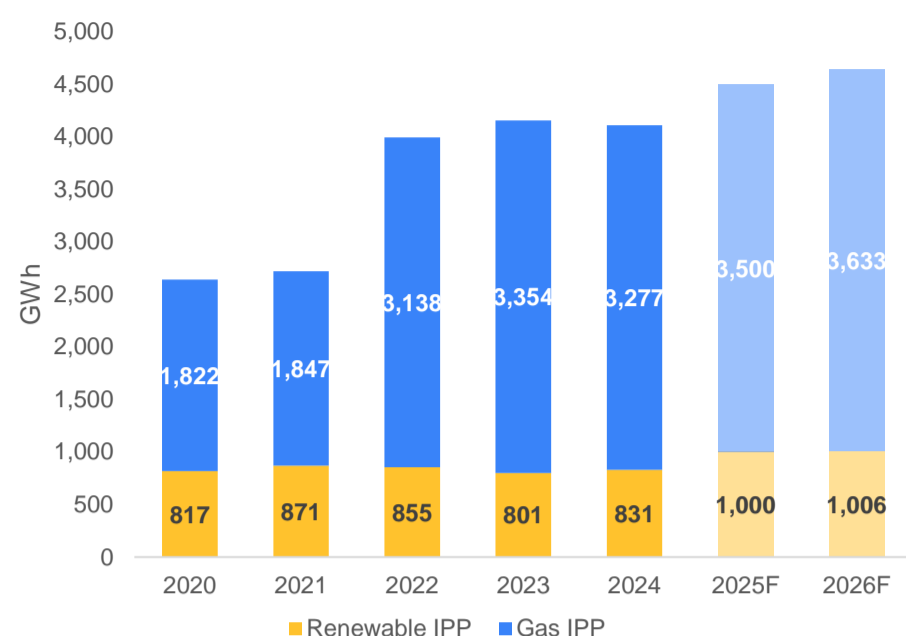
Source: Company, Ajaib Research

Figure 4. Cash Cost Projection



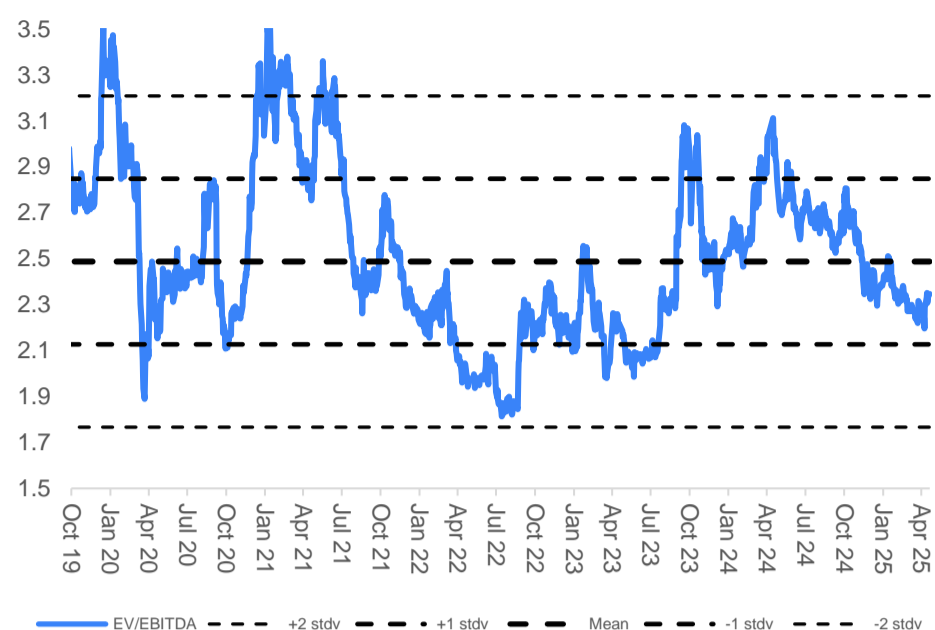
Source: Company, Ajaib Research

Figure 5. Power Sales Projection



Source: Company, Ajaib Research

Figure 6. EV/EBITDA Band MEDC



Source: Company, Ajaib Research

DCF Valuation

Account (USD mn)	2024	2025F	2026F	2027F	2028F	2029F	2030F
EBIT	717	631	800	788	708	620	563
Income tax expense	(289)	(268)	(315)	(351)	(341)	(328)	(320)
Capex	(409)	(411)	(448)	(454)	(450)	(453)	(454)
Depreciation & amortization	548	540	541	543	543	545	546
Change in WC	47	38	92	35	19	36	31
FCFF	613	531	670	561	478	420	366
NPV of forecast		2,362					
Terminal value		4,431					
NPV of terminal value		2,751					
Total enterprise value		5,113					
Cash (+)		353					
Debt (-)		3,329					
Equity value (USD mn)		2,137					
Number of shares (mn)		25,136					
Target price (Rp)		1,350					

Peers Valuation Comparison

Ticker	Market Cap (Rp tn)	P/E (x)	P/B (x)	EV/EBITDA (x)	ROE (%)	ROA (%)	EPS Growth (%)
MEDC	26.90	6.2	0.8	2.4	18.7	4.9	-28.5
ENRG	4.62	2.9	0.4	1.7	10.9	4.9	24.0
XOM.US	7,430.56	15.4	1.8	6.7	14.4	8.5	-11.2
857.HK	3,000.00	9.2	0.9	3.0	11.1	6.7	-34.7
Sector Average		8.4	1.0	3.5	13.8	6.3	-12.6

Source: Bloomberg, Ajaib Research

Financial Statement

Income Statement (USD mn)	2022	2023	2024	2025F	2026F
Revenue	2,312	2,249	2,399	2,338	2,594
Cost of revenue	-1,066	-1,216	-1,466	-1,490	-1,570
Gross Profit	1,246	1,034	933	848	1,024
OpEx	-220	-241	-217	-217	-224
Operating Profit	1,026	792	717	631	800
EBITDA	1,588	1,245	1,264	1,171	1,341
Other Income (Expenses)	279	212	262	275	256
Net Interest Expense	-259	-276	-307	-285	-326
Pre-tax profit	1,046	728	671	621	730
Income Tax	-508	-340	-289	-268	-315
NPAT	538	388	382	353	415
Minority Interest	-7	-58	-14	-13	-15
Net Profit	531	331	367	340	400
EPS (Rp)	315	200	232	224	264

Cashflow Statement (USD mn)	2022	2023	2024	2025F	2026F
Net Profit	531	331	367	340	400
D&A	562	453	548	540	541
Changes in Working Capital	282	-91	-47	-38	-92
Others	495	462	349	291	400
Operating Cash Flow	1,869	1,155	1,217	1,133	1,249
Capital Expenditure	-1,473	-755	-385	-505	-543
Changes in other assets	-261	-321	-266	-59	-61
Investing Cash Flow	-1,735	-1,076	-651	-564	-604
Net - Borrowing	426	219	2	-241	510
Minority Interest	34	9	33	12	0
Other Financing	-475	-553	-551	-392	-763
Financing Cash Flow	-16	-325	-515	-621	-253
Net - Cash Flow	119	-246	51	-52	392
Cash at beginning	481	600	354	637	353
Cash at ending	600	354	405	585	745

Source: Company, Ajaib Research

Balance Sheet (USD mn)	2022	2023	2024	2025F	2026F
Cash & equivalents	600	354	637	353	745
Receivables	321	348	361	352	391
Inventories	106	127	156	171	180
Prepaid Expenses	15	17	12	12	13
Others	709	702	651	686	733
Total Current Assets	1,751	1,547	1,817	1,574	2,061
Fixed Assets	62	65	109	161	213
Oil & Gas Properties	2,581	2,879	2,672	2,585	2,534
Long Term Investment	1,411	1,653	1,820	1,838	1,856
Other Non-Current Assets	1,127	1,325	1,509	1,577	1,650
Total Non-Current Assets	5,181	5,922	6,110	6,161	6,254
Total Assets	6,932	7,468	7,927	7,735	8,315
ST. Bank loan	538	519	574	532	609
Payables	190	288	344	361	379
Other current Liability	651	615	588	602	616
Total Current Liability	1,379	1,422	1,505	1,494	1,604
LT. Debt	2,800	3,015	3,019	2,797	3,203
Other LT Liabilities	1,005	1,004	1,052	1,075	1,102
Total Non-Current Liability	3,805	4,019	4,070	3,872	4,305
Total Liability	5,184	5,441	5,576	5,366	5,909
Total Equity	1,748	2,028	2,351	2,369	2,406
Total LiabilitiesEquity	6,932	7,468	7,927	7,735	8,315

Key Ratios	2022	2023	2024	2025F	2026F
Gross Profit Margin (%)	53.9	46.0	38.9	36.3	39.5
Operating Margin (%)	44.4	35.2	29.9	27.0	30.8
EBITDA Margin (%)	68.7	55.4	52.7	50.1	51.7
Pre-Tax Margin (%)	45.2	32.4	28.0	26.5	28.2
Net Profit Margin (%)	23.0	14.7	15.3	14.5	15.4
Debt to Equity (x)	1.9	1.7	1.5	1.4	1.6
Net Gearing (x)	1.6	1.6	1.3	1.3	1.3

Source: Company, Ajaib Research

Rating for Sectors:

Overweight : We expect the industry to perform better than the primary market index (JCI) over the next 12 months.

Neutral : We expect the industry to perform in line with the primary market index (JCI) over the next 12 months.

Underweight : We expect the industry to underperform the primary market index (JCI) over the next 12 months.

Rating for Stocks:

Buy : The stock is expected to give total return (price appreciation + dividend yield) of > +10% over the next 12 months.

Hold : The stock is expected to give total return of > 0% to ≤ +10% over the next 12 months.

Sell : The stock is expected to give total return of < 0% over the next 12 months.

Outperform : The stock is expected to do slightly better than the market return. Equal to “moderate buy”

Underperform : The stock is expected to do slightly worse than the market return. Equal to “moderate sell”

Analyst Certification:

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PREPARED BY AJAIB RESEARCH TEAM



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