Medco Energi Internasional (MEDC IJ)

Multi-year Growth Pipeline Taking Shape

Highlights

- **Delivering production growth.** 1H26 production rose 19% yoy to 170 mboepd, in line with its 2026 guidance of 165-170 mboepd.
- **AMMN turnaround adds a second earnings engine.** MEDC's 20.9% AMMN stake should benefit as smelter ramp-up lifts 2026 gold and copper volume with consensus net profit rising from US$249m to US$953m in 2026.
- **MEDC trades at 5x 2026F PE, a discount to the mean of 13.6x 2026F PE.**

Analysis

- **Oil & gas remains the dominant earnings contributor,** with cash flow concentrated in a handful of large gas-producing assets. The segment generated US$617m of revenue in 1Q26, accounting for 92% of group revenue, and contributed 91.6% of 1Q26 gross profit. 2025 net production averaged 156 mboepd, with Corridor contributing 38%, followed by Senoro-Toili at 13%, and South Natuna Sea Block B at 13%. Gas represents the core of the portfolio, accounting for 72% of sales volumes, while approximately 46% of production is sold under fixed-price contracts, providing earnings stability. The reserve base remains robust, with net 2P reserves of 551 mmboe as of 2025, equivalent to an 11.4-year reserve life index (RLI). This is underpinned by a five-year reserve replacement ratio of 206% and a competitive finding cost of US$5.6/boe.
- **Expansion is increasingly reflected in operating performance.** 1H26 production grew 19% yoy to 170 mboepd (in line with 2026 guidance of 165-170 mboepd), supported by a 70% increase in Corridor working interest (from 46%, completed in Oct 25), first oil production from Forel, first gas from Terubuk (Natuna Block B), and record output from Oman Block 60. Additional contributions came from Bualuang (Thailand), where Renewal Plan Phase I was completed and brought on stream in 2Q26, adding about 2,000 bopd of gross production, while Senoro Phase 2A reached full operational capacity in Jun 26.
- **Medium-term production growth is underpinned by a deep portfolio of development and exploration projects.** Key growth drivers include the Sambar Field and Rebonjaro development in Corridor, with first production targeted in 2027, alongside first gas from Sakakemang (3Q27) and Paus Biru (4Q27). Growth is further supported by the newly-awarded operated Cendramas PSC in Malaysia, expected to add around 7,000 bopd of gross production. Meanwhile, further progression at Senoro Phase 2B, Amanah, Nawasena, Tanzania Blocks 1 & 4, and Oman Block 48 provide longer-term resource upside.

Key Financials

Year to 31 Dec (US$m)	2021	2022	2023	2024	2025
Net turnover	1,252	2,312	2,249	2,399	2,395
EBITDA	667	1,593	1,255	1,272	1,264
Operating profit	389	1,026	792	717	708
Net profit (rep./act.)	31	518	373	369	101
EPS (Rp)	36	315	201	232	67
PE (x)	42.1	4.8	7.5	6.5	22.4
P/B (x)	2.5	1.6	1.3	1.1	1.0
EV/EBITDA (x)	1.8	0.7	0.9	0.9	0.9
Dividend yield (%)	-	-	-	-	-
Net margin (%)	3.8	23.0	14.7	15.3	4.2
Net debt/(cash) to equity (%)	219.6	156.0	156.3	119.7	137.3
Interest cover (x)	1.7	4.0	2.9	2.3	84.5
ROE (%)	4.5	40.4	19.5	18.6	4.7

Source: MEDC, Bloomberg, UOB Kay Hian

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NOT RATED

Share Price	Rp1,495
Target Price	n.a.
Upside	n.a.

Stock Data

Sector	Oil & Gas
Bloomberg ticker	MEDC IJ
Shares issued (m)	25,136
Market cap (Rpb)	37,830
Market cap (US$m)	2,144
3-mth avg daily t'over (US$m)	4.0

Price Performance (%)

52-week high/low				Rp2,000/Rp1,005
1mth	3mth	6mth	1yr	YTD
9.1	17.7	(17.9)	19.6	11.2

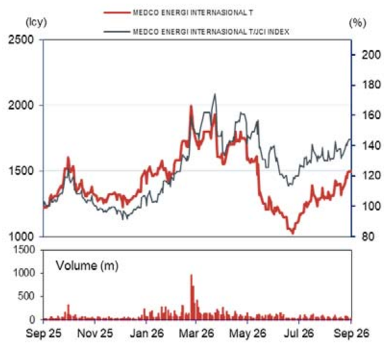
Major Shareholders (%)

Medco Daya Abadi Lestari	51.5
Diamond Bridge Pte.Ltd	21.5

Balance Sheet Metrics

FY26 NAV/Share	n.a.
FY26 Net Debt/Share	n.a.

Price Chart



Source: Bloomberg

Company Description

Medco Energi Internasional is an upstream oil and gas company established in 1989. It operates 12 producing assets, 8 onshore and 4 offshore, and manages 10 energy operating facilities. Holds a 21% stake in Amman Mineral, contributing to copper and gold production.

Oil & Gas Development

Asset	Location	MEDC WI	Net prod. 2025 (mboepd)	% of total	PSC expiry	Remarks
Corridor	S. Sumatra	70% (op.)	59.6	38%	2043	Third largest gas producer in Indonesia, 7 gas + 1 oil field, take-or-pay GSAs to Singapore and Indonesia, 98.8% direct operating efficiency
Senoro-Toili	C. Sulawesi	30% (JOB)	20.6	13%	2047	Gas to Donggi Senoro LNG, PAU, PLN, PGN. South Senoro / Phase 2A on stream 2Q26
South Natuna Sea Block B	Riau Islands	40% (op.)	19.6	13%	Oct 2028*	18 platforms, 2 FPSOs + 1 FSO, Forel (oil, May 25) and Terubuk (oil & gas, Apr/Jul 25) lifted output from 13.2 to 19.6 mboepd in 2025, gas to Singapore
Block 60	Oman	20%	13.6	9%	2048	Bisat oil and ABB gas fields, 75 wells drilled in 2025, record 77.2 mboepd gross on 7 Oct 25
Karim Small Fields	Oman	58.5% (op.)	9.0	6%	Service contract (2040)	34 fields, 33 wells in 2025, Simsim NW-01 Khaleel discovery in 1Q26
South Sumatra region	S. Sumatra	65%/60%/100%	14.3	9%	2033/2043/2027	South Sumatra (8.6), Rimau (3.1) and Lematang (2.6) PSCs. West Kalabau discovery on stream Jan 26
Block A	Aceh	85% (op.)	5.2	3%	2031	Phase 2 development, 20-year extension proposal filed Dec 25
Bualuang	Thailand	100% (op.)	4.6	3%	2035	Oil, 10-year extension secured Aug 25, Phase 1 on stream 2Q26
Madura/Sampang/Kalimantan	Various	Various	9.5	6%	2027 onwards	Madura Offshore, Sampang, Bangkanai, Tarakan, Simenggaris (divestment agreed Feb 26)
Total			156.0	100%		1H26 actual 170 mboepd, 2026 guidance 165-170 mboepd

**South Natuna Sea Block B PSC expires October 2028; a 20-year extension is being progressed with the Government.*
Source: MEDC

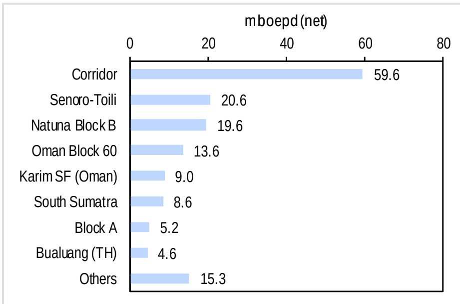
- **Acquisitions have been the main growth lever, and the track record is good.** Since 2016, Medco Energi Internasional (MEDC) has acquired Natuna Block B (US$238m), Ophir (US$541m), 46% of Corridor (US$1,355m), Oman 60/48 (US$713m), 24% of Corridor (US$425m) and Sakakemang/TGI (US$90m), acquiring 365 mmboe of 2P at an average of US$6-14/boe and generating US$3.5b of cumulative net cash flow from those assets. Acquired 2C resources have grown from 893 mmboe to 901 mmboe even after converting 214 mmboe into reserves. Net 2P reserves stand at 551 mmboe (372 mmboe 1P) with 1,154 mmboe of 2C, and 93% of 2P independently certified.
- **Turnaround at AMMN could provide a meaningful earnings uplift.** MEDC holds a 20.9% stake in Amman Mineral Internasional (AMMN), Indonesia's second-largest copper-gold producer. AMMN owns the Batu Hijau mine and the Elang project, one of the world's largest undeveloped copper-gold porphyry deposits. Following a challenging 2025 due to the commissioning of its smelter, earnings are expected to recover sharply as smelter operations ramp up. Management guided 485 Mlbs (+132% yoy) of copper production and 579,000oz of gold (+462% yoy) in 2026. Amid the current strength in copper and gold prices, consensus expects AMMN to deliver significant earnings growth from US$249m in 2025 to a net profit of US$953m in 2026. A sustained recovery in AMMN's profitability could provide an additional source of earnings growth and asset value uplift beyond its core oil and gas operations.

Acquisition Success Story

	South Natuna Sea Block B PSC	Ophir Energy Plc	Corridor PSC	Oman 60 & 48 EPSA	Corridor PSC (increased to 70%)	Sakakemang PSCs (45%) & Transgasindo (TGI) (40%)	Cendramas PSC (50%)
Acquisition price (US$m)	238	541	1,355	713	425	90	n.a.
Debt repayment (months)	18	18	24	36	36	36	n.a.
Net Cash Flow since acquisition (US$m)	704	568	1,811	248	137	20	n.a.
Acquired 2P reserves (mmboe)	35	69	124	53	58	26	n.a.
Acquired price/boe (US$)	6.4	7.9	10.9	13.5	7.3	n.a.	n.a.
Implied price/boe (US$, calc.)	6.8	7.8	10.9	13.5	7.3	3.5	n.a.

Source: MEDC

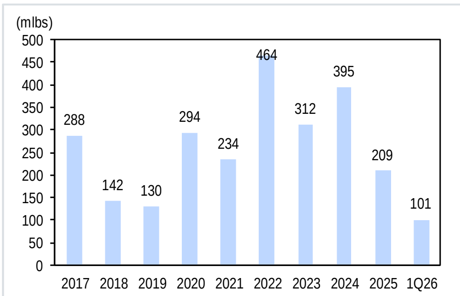
Net Production By Asset (2025)



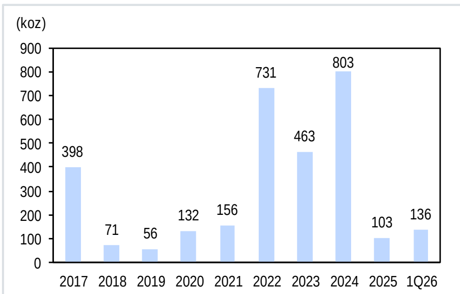
Source: MEDC

AMMN Production

Copper Production

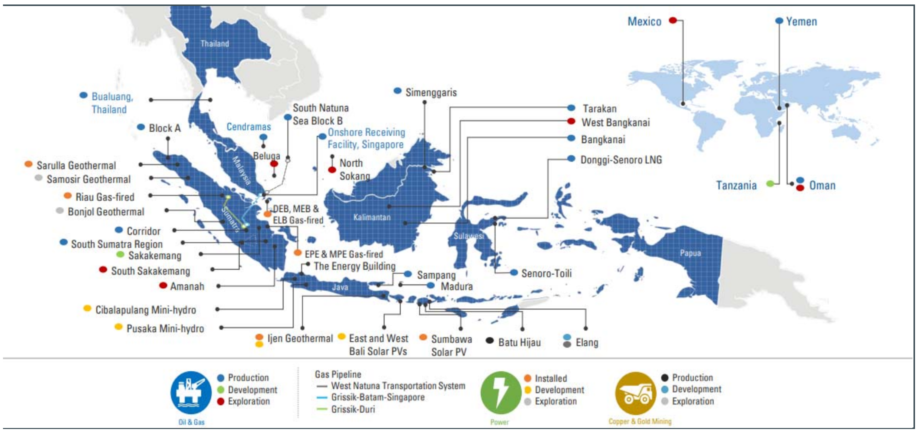


Gold Production



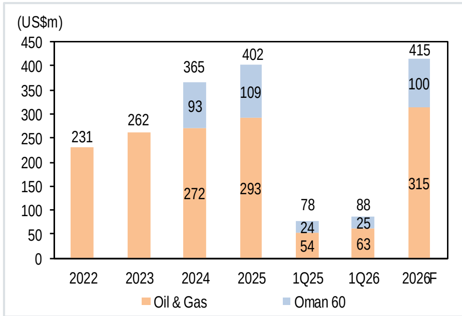
Source: MEDC, AMMN

Diverse Mix Of Oil & Gas, Clean Power, And Copper & Gold Mining Assets



Source: MEDC

Oil & Gas Capex



Source: MEDC

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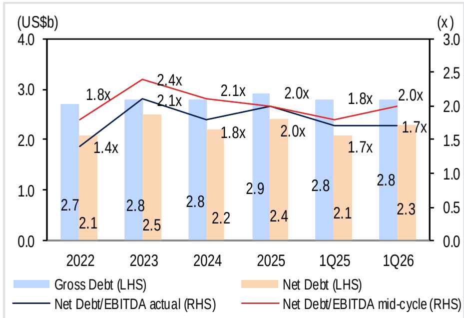

Source: MEDC

Valuation

- **Among its peer group, MEDC is trading at just 5x 2026F PE**, a substantial discount to the mean of 13.6x. While its 15.8% ROE is below the global peer mean, the valuation discount appears disproportionately large relative to the profitability gap.

Valuation

		Market	3M Avg	-------- PE -------		----- PBV -----		ROE	Div. Yield		Net	------- EV/EBITDA -----	
		Cap	Turnover	2026F	2027F	2026F	2027F	2026F	2026F	2027F	Gearing	2026F	2027F
Company	Ticker	(US$m)	(US$m)	(x)	(x)	(x)	(x)	(%)	(%)	(%)	(%)	(x)	(x)
Medco Energi Internasional	MEDC	2,144	4.0	5.0	4.7	0.9	0.7	15.8	3.5	4.7	137.3	3.2	3.2
Energi Mega Persada	ENRG	2,025	6.5	25.4	25.4	2.6	2.4	9.0	-	-	44.4	7.3	6.8
Bp Plc	BP	115,343	188.4	7.2	9.9	1.9	1.6	23.4	4.6	4.8	47.8	3.6	3.6
Exxonmobil Holdings	XOM	672,272	2,289.2	13.7	14.9	2.5	2.4	18.5	2.6	2.7	14.9	7.7	7.7
Total energies Se	TTE	204,476	317.9	8.2	9.2	1.5	1.4	19.4	4.6	4.8	26.0	5.0	5.0
Mean				13.6	14.9	2.1	2.0	17.6	3.9	4.1	33.3	5.9	5.8

Source: MEDC, Bloomberg, UOB Kay Hian

Profit & loss

Year to 31 Dec (US$m)	2022	2023	2024	2025
Net turnover	2,312.2	2,249.3	2,399.2	2,395.0
EBITDA	1,593	1,255	1,272	1,264
Deprec. & amort.	567	463	555	555
EBIT	1,026	792	717	708
Total other non-op. income	(20)	(114)	(131)	(330)
Associate contributions	(233)	(39)	(113)	(88)
Net interest income/(expense)	40	49	86	26
Pre-tax profit	1,046	728	671	404
Tax	(508)	(340)	(289)	(291)
Minorities	(21)	(15)	(13)	(13)
Net profit	518	373	369	101

Balance Sheet

Year to 31 Dec (US$m)	2022	2023	2024	2025
Fixed assets	3,100	3,401	3,258	3,637
Other LT assets	2,080	2,521	2,852	3,096
Cash/ST investment	600	354	637	569
Other current assets	1,151	1,193	1,180	1,061
Total assets	6,932	7,468	7,927	8,363
ST debt	538	519	559	439
Other current liabilities	842	903	946	948
LT debt	2,800	3,015	3,019	3,460
Other LT liabilities	1,005	1,004	1,052	1,156
Shareholders' equity	1,557	1,829	2,119	2,153
Minority interest	190	199	232	207
Total liabilities & equity	6,932	7,468	7,927	8,363

Cash Flow

Year to 31 Dec (US$m)	2022	2023	2024	2025
Operating	931	509	1,005	683
Pre-tax profit	1,046	728	671	404
Tax	(508)	(340)	(289)	(291)
Deprec. & amort.	1	0	1	1
Working capital changes	(107)	53	20	(90)
Non-cash items	500	67	603	659
Investing	(1,114)	(673)	(408)	(819)
Capex (growth)	(269)	(300)	(385)	(512)
Investments	1	(24)	1	137
Others	(846)	(349)	(23)	(444)
Financing	301	(81)	(315)	68
Dividend payments	(60)	(64)	(70)	(80)
Issue of shares	0	(4)	(5)	(29)
Proceeds from borrowings	1,312	1,378	765	1,800
Loan repayment	(1,219)	(1,444)	(988)	(1,590)
Others/interest paid	268	53	(16)	(33)
Net cash inflow (outflow)	119	(246)	283	(68)
Beginning cash & cash equivalent	481	600	354	637
Ending cash & cash equivalent	600	354	637	569

Key Metric

Year to 31 Dec (%)	2022	2023	2024	2025
Profitability				
EBITDA margin	68.9	55.8	53.0	52.8
Pre-tax margin	45.2	32.4	28.0	16.9
Net margin	23.0	14.7	15.3	4.2
ROA	8.4	4.6	4.8	1.2
ROE	40.4	19.5	18.6	4.7
Growth (% yoy)				
Turnover	84.7	(2.7)	6.7	(0.2)
EBITDA	138.8	(21.2)	1.3	(0.6)
Pre-tax profit	288.3	(30.4)	(7.8)	(39.8)
Net profit	1,571.5	(27.9)	(1.1)	(72.7)
Net profit (adj.)	1,029.1	(37.7)	11.1	(72.5)
EPS	1,014.7	(28.0)	(1.2)	(72.4)
Leverage				
Debt to total capital	65.6	63.5	60.3	62.3
Debt to equity	191.0	174.3	152.2	165.2
Net debt/(cash) to equity	156.0	156.3	119.7	137.3
Interest cover (x)	4.0	2.9	2.3	84.5