

# Buy

(Upgraded)

## Medco Energi International (MEDC IJ)

### Higher Corridor Ownership and AMMN Normalization to Support FY26 Earnings

Last Price (Rp)	1,425
Target Price (Rp)	2,000
Previous Target Price (Rp)	1,320
Upside/Downside	+40.4%

No. of Shares (mn)	25,136
Mkt Cap (Rpbn/US\$m)	37,830/2,258
Avg, Daily T/O (Rpbn/US\$m)	75.6/4.5
Free Float (%)	21.1

Major Shareholder (%)	
Medco Daya Abadi Lestari	51.7
Diamond Bridge Pte Ltd	21.6

EPS Consensus (US\$cents)			
	2025F	2026F	2027F
BRIDS	0.5	1.1	1.2
Consensus	0.7	1.5	1.6
BRIDS/Cons (%)	(22.3)	(28.4)	(27.6)

- We expect AMMN to drive 4Q25F and FY26 earnings rebound despite oil price pressure, supported by copper export approval.
- We expect the Corridor PSC ownership increase to drive FY26F production uplift, contributing ~30% of estimated total production vol.
- We upgraded FY26F-27F earnings and raise our TP to Rp2,000, reflecting higher output assumptions and rerating supported by AMMN recovery.

#### 4Q25F earnings expected to be anchored by AMMN contribution.

While oil prices remain subdued, we expect MEDC's 4Q25F earnings to be supported by resilient operational delivery and improving non-O&G contributions (see. Exh 1). Despite potential revenue pressure from weaker Brent prices, earnings downside is increasingly mitigated by normalization of AMMN's copper exports following regulatory approval. Initial export shipments (based on BPS data) signal the start of monetization, underpinning our estimate of +43.3% qoq in 4Q25F net profit, although FY25F earnings may remain -10.3% below consensus est.

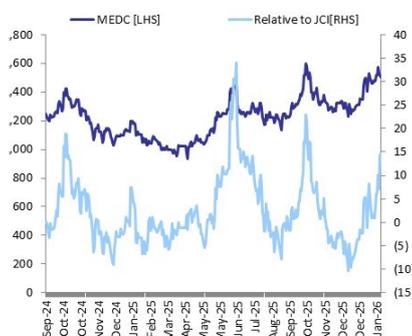
#### Corridor upgrade lifts FY26F outlook

Mgmt. guides for higher FY26F O&G production of 165-170 mboepd, reflecting a 24% increase in participating interest in Corridor PSC to 70%. We estimate this could add ~US\$145mn in EBITDA at mid-cycle-prices, including ~US\$90mn from fixed gas contracts. We expect Corridor PSC to be fully reflected in FY26F, contributing ~30% of MEDC's total production and serving as the backbone of its O&G portfolio. On the power side, Mgmt. targets electricity sales of ~4,550 GWh in FY26F, supported by initiation of Ijen and Sumbawa Phase2 projects and additional capacity from Batam IPP (~95 MW). Meanwhile, the acquisition of a 45% participating interest in Sakakemang PSC provides further growth optionality, with early production expected in FY27F bringing potential incremental volumes of ~15-20 mboepd to MEDC.

#### Upgrading FY26-27F estimates; TP raised to Rp2,000

We raise our FY26-27F net profit forecasts by +12-37%, driven by a higher oil and gas output assumption of 165 mboepd (vs. 146 mboepd previously), which provides a buffer against our more conservative oil price assumption of US\$65/bbl (vs. US\$70/bbl previously). We reiterate our Buy rating with a higher TP of Rp2,000 based on our SOTP valuation, which reflects the structural rerating of MEDC's core O&G business following the Corridor PSC ownership upgrade, as well as improving earnings visibility from the expected recovery in AMMN's performance. Key risks include weaker-than-expected oil prices and delays in the normalization of AMMN's operations.

#### MEDC relative to JCI Index



Source: Bloomberg

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#### Key Financials

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
Revenue (US\$m)	2,249	2,399	2,107	2,326	2,394
EBITDA (US\$m)	1,245	1,264	982	1,144	1,189
Net Profit (US\$m)	331	367	137	270	291
EPS Growth (%)	(37.7)	11.1	(62.8)	97.5	7.8
PER (x)	6.7	6.0	16.1	8.1	7.6
PBV (x)	1.2	1.0	1.0	0.9	0.8
EV/EBITDA	2.3	2.5	4.8	4.2	4.2

Source: MEDC, BRIDS Estimates

**Exhibit 1. Operational data FY25**

Operational data	4Q24	3Q25	4Q25	QoQ (%)	YoY (%)	12M24	12M25	YoY (%)
<b>O&amp;G Production total (MBOEPD)</b>	<b>149</b>	<b>163</b>	<b>176</b>	<b>8.0</b>	<b>18.1</b>	<b>152</b>	<b>156</b>	<b>2.6</b>
Oil (MBOPD)	40	45	47	4.4	17.5	41	43	4.9
Gas (MMSCFD)	593	641	699	9.0	17.9	603	615	2.0
Gas/Liquids (%)	73	72	73			72	73	
<b>Power IPP Sold (GWh)</b>	<b>1,146</b>	<b>1,194</b>	<b>1,183</b>	<b>(0.9)</b>	<b>3.2</b>	<b>4,108</b>	<b>4,371</b>	<b>6.4</b>
Renewables (GWh)	219	302	296	(2.0)	35.2	831	1,095	31.8
Non Renewables (GWh)	927	892	887	(0.6)	(4.3)	3,277	3,276	(0.0)
Renewables PoT (%)	19	25	25			20	25	
<b>Net 2P Reserves (MMBOE)</b>	<b>493</b>	<b>528</b>	<b>564</b>	<b>6.8</b>	<b>14.4</b>	<b>493</b>	<b>564</b>	<b>14.4</b>
2P RLI (years)	10	11	11	1.8	9.6	10	11	9.6
5-year 2P RRR (%)	187	187	207	10.7	10.7	187	207	10.7
<b>Net 2C Resources (MMBOE)</b>	<b>896</b>	<b>1,023</b>	<b>1,023</b>	<b>-</b>	<b>14.2</b>	<b>896</b>	<b>1,023</b>	<b>14.2</b>

Source: Company, BRIDS

**Operational delivery remains solid, but revenue headwinds persist**

Mgmt. reported FY25 O&G production of 156 mboepd (vs. 152 mboepd in FY24) reflecting stable operational delivery (see Exh. 1). Quarterly output peaked at 176 mboepd in 4Q25, driven by higher gas lifting, underscoring the absence of operational disruption. On a quarterly basis, production remained broadly stable, supporting volume resilience entering FY26. However, revenue growth remains pressured by weaker oil price environment, with Brent averaging US\$60/bbl in FY25 (vs. US\$76/bbl in FY24), which limits upstream revenue upside higher volumes. As a result, upstream contribution remains capped on a full-year basis.

**AMMN normalization drives 4Q25F earnings rebound**

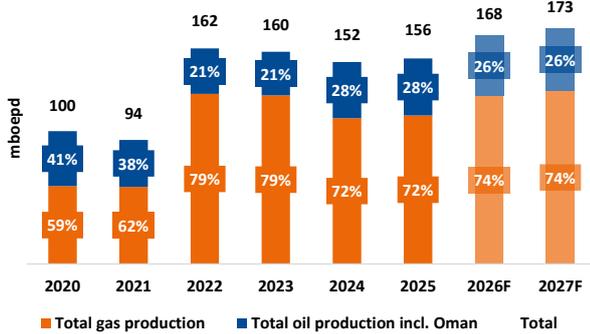
We expect earnings resilience in 4Q25F is increasingly supported by non-O&G contributions, particularly from AMMN, following the approval of 480k dmt copper concentrate export quotas until Apr-26 by MEMR. Our check on BPS statistics indicate that early shipments of ~65.9k dmt from AMMN have commenced, marking the initial monetization phase post-export approval. We expect this to translate into a +43% q-q rebound in 4Q25F net profit, providing meaningful earnings offset to upstream price pressure. Nevertheless, on a full-year basis, FY25F's net profit is still projected to come in ~10.3% below consensus ests.

**Exhibit 2. Forecast changes summary**

in US\$Mn	2025F		2026F		2027F		Changes		
	Old	New	Old	New	Old	New	2025F	2026F	2027F
Revenue	2,122	2,107	2,123	2,326	2,124	2,394	-0.7%	9.6%	12.7%
Gross Profit	736	652	736	795	736	829	-11.4%	8.0%	12.6%
EBITDA	1,030	982	1,030	1,144	1,030	1,189	-4.6%	11.1%	15.4%
Net Profit	190	137	245	270	215	291	-28.0%	10.2%	35.4%
Gross margin	34.7%	30.9%	34.7%	34.2%	34.7%	34.6%			
EBITDA margin	48.5%	46.6%	48.5%	49.2%	48.5%	49.7%			
Net margin	9.0%	6.5%	11.5%	11.6%	10.1%	12.2%			
Production (Bbl/day)	152	156	155	169	152	170	2.6%	9.0%	11.8%
Oil Price (US\$/Bbl)	75	67	72	67	72	67	-10.7%	-6.9%	-6.9%
AMMN Equity Income Contribution (US\$Mn)	65	59	85	101	110	131	-9.8%	18.3%	19.0%

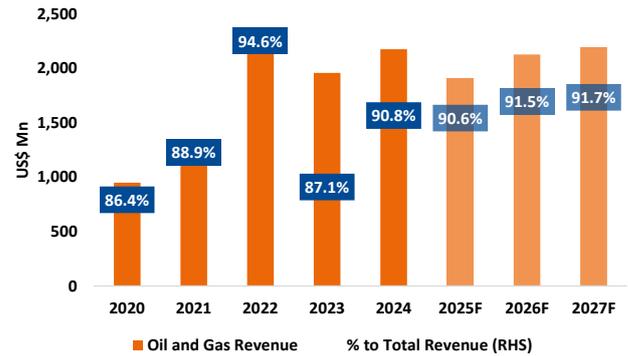
Source: Company, BRIDS Estimates

Exhibit 3. Oil and Gas production trend 2020-2027F



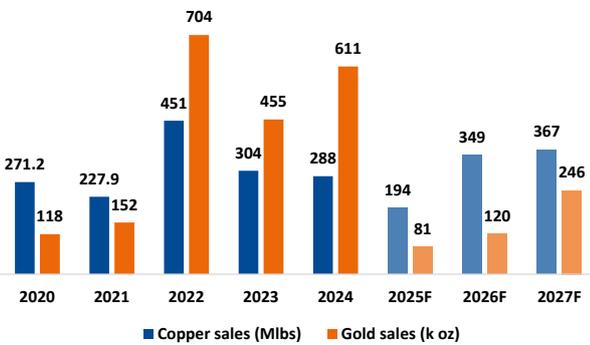
Source: Company, BRIDS Estimates

Exhibit 4. O&G Segment remains dominant



Source: Company, BRIDS Estimates

Exhibit 5. AMMN's gold and copper sales (2022-2025F)



Source: Company, BRIDS Estimates

Exhibit 6. SOTP valuation

SOTP valuation	Method	Equity value (USDmn)	Prev. Equity value (USDmn)
Oil and gas	DCF	1,462	1,087
AMMN	Target P/E 2026F 15x	1,509	976
<b>Total equity value (USDmn)</b>		<b>2,971</b>	<b>2,063</b>
USD/IDR		16,780	16,000
<b>Total equity value (IDRbn)</b>		<b>49,856</b>	<b>33,008</b>
Outstanding shares (bn)		25.1	25.1
<b>Target price (IDR/sh)</b>		<b>2,000</b>	<b>1,320</b>

Source: Company, BRIDS Estimates

Exhibit 7. MEDC EV/EBITDA Band



Source: Bloomberg, BRIDS Estimates

Exhibit 8. MEDC P/E Band



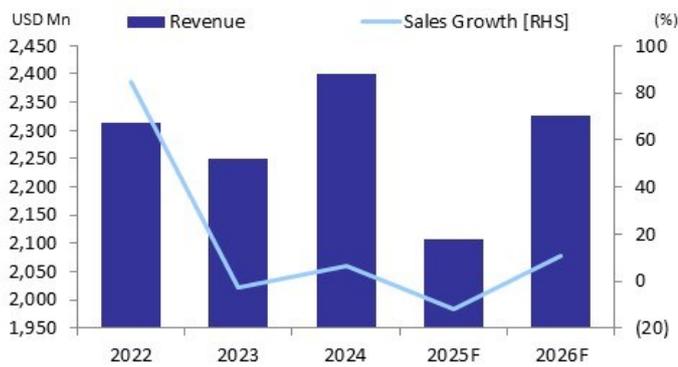
Source: Bloomberg, BRIDS Estimates

Exhibit 9. Peers comparables

Date	Company	Company	Mkt.Cap (USD mn.)	PE 25F	PE 26F	PB 25F	PB 26F	ROA 25F	ROA 26F	ROE 25F	ROE 26F
MEDC IJ	MEDC IJ Equity	MEDCO ENERGI INTERNASIONAL T	2,278	17.1	8.7	1.0	0.9	1.7	3.3	6.3	11.4
ENRG IJ	ENRG IJ Equity	ENERGI MEGA PERSADA TBK PT	2,042	16.4	13.2	2.1	1.8	5.2	5.9	11.0	11.8
ARAMCO AB	ARAMCO AB Equity	SAUDI ARABIAN OIL CO	1,624,200	16.3	16.9	4.0	3.9	15.4	127.0	24.8	24.3
XOM US	XOM US Equity	EXXON MOBIL CORP	596,307	20.5	20.5	2.3	2.3	6.4	6.4	11.4	11.1
CVX US	CVX US Equity	CHEVRON CORP	356,192	24.8	25.9	1.9	2.0	5.3	5.6	7.8	7.8
SHEL US	SHEL US Equity	SHELL PLC-ADR	219,042	12.3	12.3	1.3	1.2	5.5	5.1	10.3	9.6
TTE US	TTE US Equity	TOTALENERGIES SE	159,757	10.4	10.9	1.4	1.3	5.1	4.9	13.1	12.1
386 HK	386 HK Equity	CHINA PETROLEUM & CHEMICAL-H	107,336	14.6	12.0	0.7	0.7	2.0	2.4	4.6	5.5
BP US	BP US Equity	BP PLC-SPONS ADR	99,208	13.1	13.4	1.6	1.6	2.5	2.5	11.2	11.1
IPCO SS	IPCO SS Equity	INTERNATIONAL PETROLEUM CORP	2,342	62.6	60.7	2.6	2.6	1.8	0.2	4.2	4.8
		<b>Average.</b>		<b>21.2</b>	<b>20.7</b>	<b>2.0</b>	<b>1.9</b>	<b>5.5</b>	<b>17.8</b>	<b>10.9</b>	<b>10.9</b>

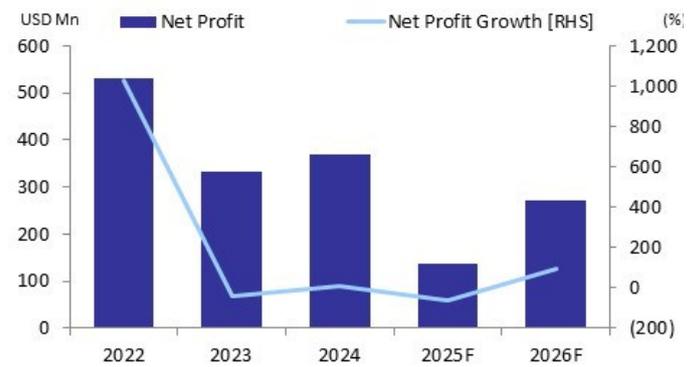
Source: Company, BRIDS Estimates, Bloomberg

**Exhibit 2. Revenue and Growth**



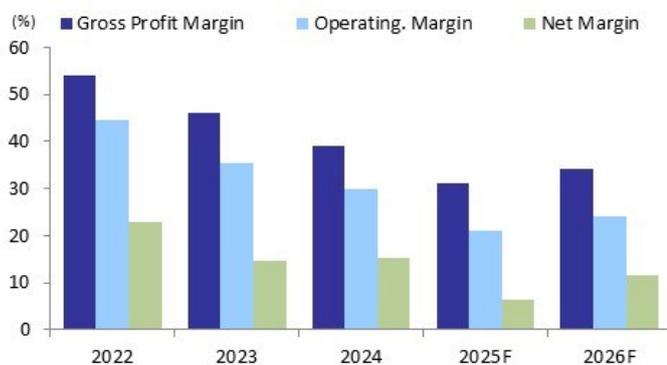
Source: Company, BRIDS Estimates

**Exhibit 3. Net Profit and Growth**



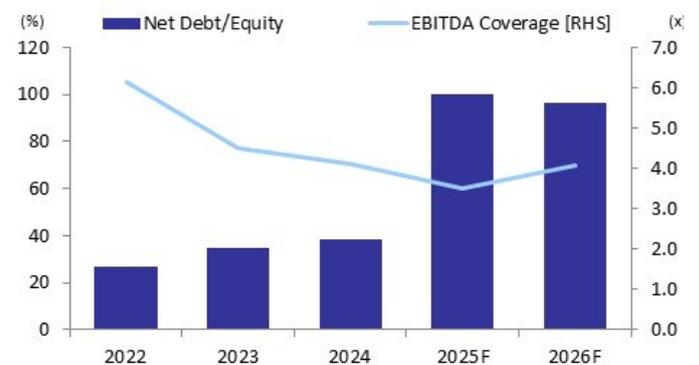
Source: Company, BRIDS Estimates

**Exhibit 4. Margins**



Source: Company, BRIDS Estimates

**Exhibit 5. Gearing Level**



Source: Company, BRIDS Estimates

**Exhibit 6. Income Statement**

Year to 31 Dec (US\$mn)	2023A	2024A	2025F	2026F	2027F
<b>Revenue</b>	<b>2,249</b>	<b>2,399</b>	<b>2,107</b>	<b>2,326</b>	<b>2,394</b>
COGS	(1,216)	(1,466)	(1,455)	(1,531)	(1,565)
<b>Gross profit</b>	<b>1,034</b>	<b>933</b>	<b>652</b>	<b>795</b>	<b>829</b>
<b>EBITDA</b>	<b>1,245</b>	<b>1,264</b>	<b>982</b>	<b>1,144</b>	<b>1,189</b>
<b>Oper. profit</b>	<b>792</b>	<b>717</b>	<b>441</b>	<b>562</b>	<b>589</b>
Interest income	49	86	73	98	87
Interest expense	(276)	(307)	(282)	(282)	(298)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	39	113	59	101	131
Other Income (Expenses)	123	63	26	26	26
<b>Pre-tax profit</b>	<b>728</b>	<b>671</b>	<b>317</b>	<b>505</b>	<b>536</b>
Income tax	(340)	(289)	(176)	(226)	(236)
Minority interest	(15)	(13)	(4)	(9)	(8)
<b>Net profit</b>	<b>331</b>	<b>367</b>	<b>137</b>	<b>270</b>	<b>291</b>
<b>Core Net Profit</b>	<b>373</b>	<b>369</b>	<b>137</b>	<b>270</b>	<b>291</b>

**Exhibit 7. Balance Sheet**

Year to 31 Dec (US\$mn)	2023A	2024A	2025F	2026F	2027F
Cash & cash equivalent	354	637	1,046	871	891
Receivables	570	591	547	580	591
Inventory	127	156	155	163	167
Other Curr. Asset	485	421	421	421	421
Fixed assets - Net	65	109	123	136	149
Other non-curr.asset	5,857	6,001	5,751	6,160	6,599
<b>Total asset</b>	<b>7,468</b>	<b>7,927</b>	<b>8,054</b>	<b>8,342</b>	<b>8,829</b>
ST Debt	372	504	504	504	533
Payables	405	491	488	506	514
Other Curr. Liabilities	645	510	510	510	510
Long Term Debt	691	1,028	3,019	3,019	3,190
Other LT. Liabilities	3,327	3,042	1,052	1,052	1,052
<b>Total Liabilities</b>	<b>5,441</b>	<b>5,576</b>	<b>5,573</b>	<b>5,591</b>	<b>5,799</b>
Shareholder's Funds	1,829	2,119	2,245	2,505	2,776
Minority interests	199	232	236	245	254
<b>Total Equity &amp; Liabilities</b>	<b>7,468</b>	<b>7,927</b>	<b>8,054</b>	<b>8,342</b>	<b>8,829</b>

**Exhibit 8. Cash Flow**

Year to 31 Dec (US\$mn)	2023A	2024A	2025F	2026F	2027F
Net income	331	367	137	270	291
Depreciation and Amort.	453	548	541	582	599
Change in Working Capital	50	13	43	(23)	(6)
Other Oper. Cash Flow	(111)	292	0	0	0
<b>Operating Cash Flow</b>	<b>723</b>	<b>1,219</b>	<b>720</b>	<b>828</b>	<b>885</b>
Capex	(1,173)	(435)	(304)	(1,004)	(1,052)
Others Inv. Cash Flow	543	66	0	0	0
<b>Investing Cash Flow</b>	<b>(629)</b>	<b>(369)</b>	<b>(304)</b>	<b>(1,004)</b>	<b>(1,052)</b>
Net change in debt	84	137	0	0	200
New Capital	5	2	0	0	0
Dividend payment	(64)	(35)	(31)	(9)	(21)
Other Fin. Cash Flow	(365)	(673)	24	9	8
<b>Financing Cash Flow</b>	<b>(340)</b>	<b>(569)</b>	<b>(7)</b>	<b>(1)</b>	<b>188</b>
<b>Net Change in Cash</b>	<b>(246)</b>	<b>281</b>	<b>409</b>	<b>(176)</b>	<b>21</b>
Cash - begin of the year	600	354	637	1,046	871
Cash - end of the year	354	637	1,046	871	891

**Exhibit 9. Key Ratio**

Year to 31 Dec	2023A	2024A	2025F	2026F	2027F
<b>Growth (%)</b>					
Sales	(2.7)	6.7	(12.2)	10.4	2.9
EBITDA	(21.6)	1.5	(22.3)	16.5	3.9
Operating profit	(22.8)	(9.6)	(38.4)	27.4	4.8
Net profit	(37.7)	11.1	(62.8)	97.5	7.8
<b>Profitability (%)</b>					
Gross margin	46.0	38.9	30.9	34.2	34.6
EBITDA margin	55.4	52.7	46.6	49.2	49.7
Operating margin	35.2	29.9	20.9	24.2	24.6
Net margin	14.7	15.3	6.5	11.6	12.2
ROAA	4.6	4.8	1.7	3.3	3.4
ROAE	19.5	18.6	6.3	11.4	11.0
<b>Leverage</b>					
Net Gearing (x)	0.3	0.4	1.0	1.0	0.9
Interest Coverage (x)	2.9	2.3	1.6	2.0	2.0

Source: MEDC, BRIDS Estimates

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**INVESTMENT RATING**

<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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