

16 April 2025

Energy & Petrochemicals | Oil & Gas Services

## Medco Energi Internasional (MEDC IJ)

**Buy** (Maintained)

**Supported By New Projects Onstream; Still BUY**

Target Price (Return): IDR1,200 (13.7%)  
 Price (Market Cap): IDR1,055 (USD1,576m)  
 ESG score: 2.8 (out of 4)  
 Avg Daily Turnover (IDR/USD) 29,074m/1.76m

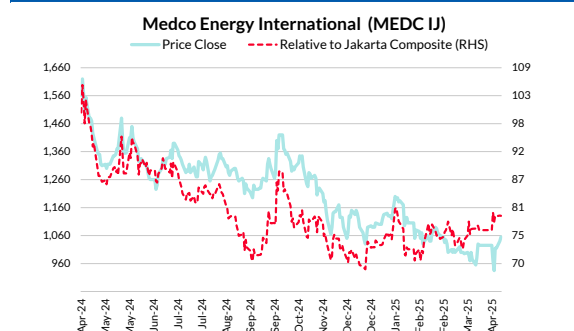
- **Still BUY, new IDR1,200 TP from IDR1,900, 14% upside.** Post our regional oil & gas (O&G) analyst's recent cut on Brent oil price estimates for 2025 and 2026 to USD70 and USD68/bbl (USD75/bbl previously), we fine-tune Medco Energi Internasional's forecasts but keep our call. We expect hydrocarbon output at 150k boepd for 2025, stemming from new projects that generate cost-recovery revenues. We believe share price was impeded by negative sentiment due to weakening oil prices despite predominant gas production. MEDC currently trades at 3.3x EV/EBITDA 2025F, below peers' 3.6x.
- **We follow management's guidance for 2025 production at 150k boepd (70% gas).** This is supported by several new projects, including the commencement of production at West Belut Field at Block B Natuna (which went onstream in 3Q24 for 55mmcsfpd of gas) and Forel-Bronang for 10k bpd of oil. Aside from these, we also priced in the Letang Tengah Rawa Field at Medco Grissik for 70mmcsfpd of gas, starting in 1Q25. We think these should counter the natural decline at the Corridor Block, which we estimate at 248mmcsfpd (-20% YoY) this year. In 2024, MEDC produced 152mboepd (-5% YoY). Oil and gas cash costs stood steady at USD8.20/boe, and we expect it to continue at this level.
- **We believe cost recoveries and stable gas prices should support EBITDA at USD1.1bn.** We estimate every USD5/bbl increase/decrease in oil price should increase/decrease 2025F EBITDA by 4%. We estimate MEDC to be able to recover its past investment costs to the Government, especially on new projects on-stream in 2024, amounting to USD362m. The company reported FY24 earnings of USD367m (+11% YoY), in line with consensus' 96% estimate while slightly below our 94% forecast.
- **MEDC's Amman Mineral Internasional (AMMN IJ, NR) associate expects lower copper and gold production for 2025.** AMMN sees 42% and 89% YoY drops in copper and gold production as it shifts to Phase 8 – it expects to reach the center part of the ore body in 2026. Guidance for 2025 is focused on ramping up smelter operations to full capacity, resolving technical bottlenecks, and advancing Elang Block II's feasibility study (slated for 1H25).
- **We believe MEDC's share price was impeded by negative sentiment from weakening oil prices despite its predominant gas production.** Hence, we keep BUY call with a new IDR1,200 TP that is based on 3.6x and 5.6x FY25F EV/EBITDA for MEDC and AMMN, and a 4% ESG discount imputed due to the company's 2.8 score vs the 3.0 country median.
- **Downside risks:** i) Longer-than-expected O&G schedule and ii) lower-than-expected commodity prices.

### Analyst

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### Share Performance (%)

	YTD	1m	3m	6m	12m
Absolute	(4.1)	6.0	(11.7)	(18.2)	(32.4)
Relative	4.9	7.1	(2.7)	(2.6)	(20.8)
52-wk Price low/high (IDR)				935	1,620



Source: Bloomberg

Forecasts and Valuation	Dec-22	Dec-23	Dec-24	Dec-25F	Dec-26F
Total turnover (USDm)	2,312	2,249	2,399	2,239	2,253
Recurring net profit (USDm)	528	265	332	312	352
Recurring net profit growth (%)	1,170.1	(49.8)	25.0	(5.8)	12.9
Recurring P/E (x)	2.99	5.94	4.75	5.05	4.47
P/B (x)	1.0	0.9	0.7	0.7	0.6
P/CF (x)	1.00	1.24	1.20	1.35	1.33
Dividend Yield (%)	3.8	4.1	4.5	4.6	5.2
EV/EBITDA (x)	1.73	2.38	2.02	1.93	1.37
Return on average equity (%)	40.4	19.5	18.6	15.2	15.1
Net debt to equity (%)	137.5	141.0	110.2	85.2	54.9

Source: Company data, RHB

**Overall ESG Score: 2.8 (out of 4)**

**E Score: 2.8 (GOOD)**

**S Score: 2.8 (GOOD)**

**G Score: 2.7 (GOOD)**

Please refer to the ESG analysis on the next page

## Emissions And ESG

Trend analysis	Emissions (tCO2e)	Dec-21	Dec-22	Dec-23	Dec-24
MEDC has incorporated additional emissions data in its reporting following the acquisition of a new block asset (Corridor Block), which resulted in a change in its emission trends in 2022-2023. That said, the company has also widened the conservation area for biodiversity within its operations.	Scope 1	5,463,278	5,710,288	5,639,825	na
	Scope 2	18,529	26,150	27,920	na
	Scope 3	na	na	na	na
	Total emissions	5,481,807	5,736,438	5,667,745	na
	Source: Company data, RHB				

## Latest ESG-Related Developments

It charted progress on emissions at the Sarulla geothermal power plant project (330MW capacity), Sekongkan wind energy project (50-100MW), a mini-hydropower plant in West Java (9MW), and a solar photovoltaic energy project.

MEDC aims to have 700MW of renewable energy being used in its operations

## ESG Unbundled

Overall ESG Score: 2.8 (out of 4)

Last Updated: 18 November 2024

E Score: 2.8 (GOOD)

MEDC has implemented measures to reduce greenhouse gas or GHG emissions and improve energy efficiency. Emission reduction was achieved through optimising fuel gas consumption and transportation fuel. It also made efforts to avoid flaring by utilising associated gas that otherwise would be flared. Long-term ESG plans also include enlarging renewable energy portfolio ie photovoltaic solar and geothermal for Medco Power Indonesia.

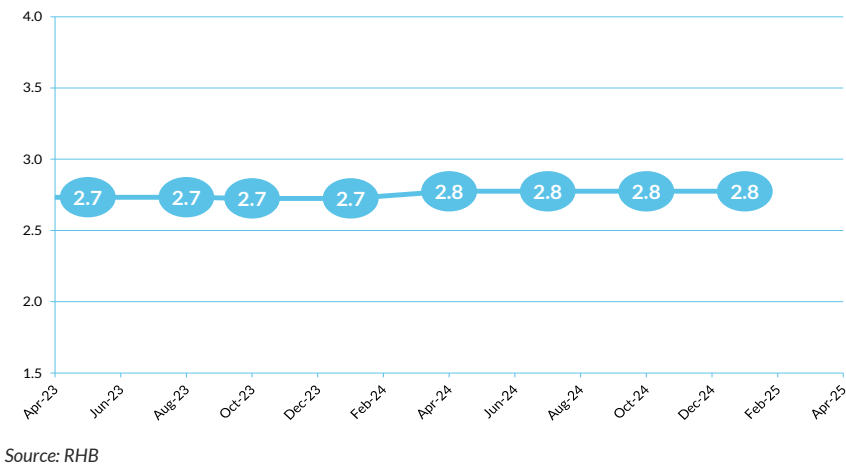
S Score: 2.8 (GOOD)

MEDC is consistently active in local community empowerment initiatives in the areas where it operates. Local community empowerment entails strengthening engagement, enhancing livelihoods and creating self-reliant and resilient communities. The company has a routine CSR programme that promotes activities such as organic farming, entrepreneurship training, and marine conservation.

G Score: 2.7 (GOOD)

The company has several key initiatives that are focused on good corporate governance or GCG issues, which includes training on business ethics, fraud risks, human rights, anti-bribery and corruption. Shareholder engagement is also quite active and transparent. However, we do note that timely financial statement reporting needs further improvement.

## ESG Rating History



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## Financial Exhibits

<b>Asia</b>	<b>Financial summary (USD)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
Indonesia	Recurring EPS	0.02	0.01	0.01	0.01	0.01
Energy & Petrochemicals	DPS	0.00	0.00	0.00	0.00	0.00
<b>Medco Energi Internasional</b>	BVPS	0.06	0.07	0.08	0.10	0.11
MEDC IJ	Return on average equity (%)	40.4	19.5	18.6	15.2	15.1
Buy						
<b>Valuation basis</b>	<b>Valuation metrics</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
SOTP	Recurring P/E (x)	2.99	5.94	4.75	5.05	4.47
	P/B (x)	1.0	0.9	0.7	0.7	0.6
	FCF Yield (%)	6.1	32.8	59.0	53.0	70.4
	Dividend Yield (%)	3.8	4.1	4.5	4.6	5.2
<b>Key drivers</b>	EV/EBITDA (x)	1.73	2.38	2.02	1.93	1.37
i. New hydrocarbon output from new asset;	EV/EBIT (x)	2.69	3.76	3.60	2.91	2.04
ii. Maintaining a USD10 per barrel lifting cost despite new assets;						
iii. Gas demand rises during times of economic growth and low interest rates.						
<b>Key risks</b>	<b>Income statement (USDm)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
i. Weakening economic conditions dampening the demand for and prices of energy;	Total turnover	2,312	2,249	2,399	2,239	2,253
ii. Unfavourable government regulations and fiscal regime;	Gross profit	1,246	1,034	933	1,019	1,047
iii. Unplanned shutdowns and oil & gas leaks;	EBITDA	1,593	1,255	1,276	1,164	1,195
iv. Delayed projects.	Depreciation and amortisation	(567)	(463)	(559)	(393)	(390)
	Operating profit	1,026	792	717	771	805
	Net interest	(220)	(227)	(221)	(181)	(140)
	Pre-tax profit	1,046	728	671	672	753
	Taxation	(508)	(340)	(289)	(314)	(351)
	Reported net profit	531	331	367	343	385
	Recurring net profit	528	265	332	312	352
<b>Company Profile</b>	<b>Cash flow (USDm)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
Medco Energi Internasional is a leading South-East Asian energy and natural resources company with three key business segments: Oil & gas, power, and copper mining. It explores for and produces oil and gas, primarily in Indonesia and is expanding its presence in South-East Asia. The group operates gas, photovoltaic, geothermal, and hydro power plants in Indonesia through Medco Power and operates a large Indonesian copper and gold mine through a non-consolidated interest in Amman Mineral Nusa Tenggara.	Change in working capital	(18)	27	50	8	(5)
	Cash flow from operations	1,569	1,272	1,314	1,165	1,182
	Capex	(1,473)	(755)	(385)	(331)	(72)
	Cash flow from investing activities	(1,428)	(1,171)	(727)	(322)	(64)
	Dividends paid	(60)	(64)	(70)	(73)	(82)
	Cash flow from financing activities	(22)	(347)	(304)	(727)	(954)
	Cash at beginning of period	481	600	354	637	753
	Net change in cash	119	(246)	283	116	164
	Ending balance cash	600	354	637	753	917
	<b>Balance sheet (USDm)</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Total cash and equivalents	748	436	708	816	972
	Tangible fixed assets	2,643	2,944	2,782	2,726	2,416
	Total investments	1,411	1,653	1,820	1,820	1,820
	Total assets	6,932	7,468	7,927	7,913	7,761
	Short-term debt	436	396	429	262	205
	Total long-term debt	2,715	2,900	2,871	2,797	2,388
	Total liabilities	5,184	5,441	5,576	5,278	4,807
	Total equity	1,748	2,028	2,351	2,635	2,953
	Total liabilities & equity	6,932	7,468	7,927	7,913	7,761
	<b>Key metrics</b>	<b>Dec-22</b>	<b>Dec-23</b>	<b>Dec-24</b>	<b>Dec-25F</b>	<b>Dec-26F</b>
	Revenue growth (%)	84.7	(2.7)	6.7	(6.7)	0.6
	Recurrent EPS growth (%)	1170.1	(49.8)	25.0	(5.8)	12.9
	Gross margin (%)	53.9	46.0	38.9	45.5	46.5
	Operating EBITDA margin (%)	68.9	55.8	53.2	52.0	53.0
	Net profit margin (%)	23.0	14.7	15.3	15.3	17.1
	Dividend payout ratio (%)	11.3	19.5	19.1	21.2	21.2
	Capex/sales (%)	63.7	33.5	16.0	14.8	3.2
	Interest cover (x)	3.96	2.87	2.33	3.02	3.56

Source: Company data, RHB

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Figure 1: RHB (previous and revised figures) vs Street estimates

(USDm)	RHB (new)			RHB (old)			Change (%)			Street			RHB vs Street (%)		
	2024A	2025F	2026F	2024A	2025F	2026F	2024A	2025F	2026F	2024A	2025F	2026F	2024A	2025F	2026F
Revenue	2,399	2,239	2,253	2,399	2,438	2,356	-	(8.1)	(4.4)	2,399	2,212	2,204	-	1.2	2.2
Gross profit	933	1,019	1,047	933	1,100	1,030	-	(7.3)	1.7	933	1,016	1,035	-	0.3	1.2
EBIT	717	771	805	717	887	824	-	(13.1)	(2.4)	717	744	735	-	3.7	9.5
EBITDA	1,276	1,164	1,195	1,276	1,359	1,291	-	(14.4)	(7.4)	1,276	1,227	1,222	-	(5.1)	(2.2)
Net profit	367	343	385	367	399	395	-	(14.0)	(2.7)	367	324	328	-	5.9	17.4
Margin (%)															
Gross	38.9	45.5	46.5	38.9	45.1	43.7				38.9	45.9	46.9			
EBIT	29.9	34.4	35.7	29.9	36.4	35.0				29.9	33.6	33.4			
EBITDA	53.2	52.0	53.0	53.2	55.8	12.3				53.2	55.5	12.3			
NPM	15.3	15.3	17.1	15.3	16.4	16.8				15.3	14.6	14.9			

Source: Company data, Bloomberg, RHB

Figure 2: FY24 numbers vs estimates

USDm	4Q23	3Q24	4Q24	QoQ	YoY	FY23	FY24	YoY	FY24 / RHB	FY24 / Cons.
Revenue	580	618	616	-0.3%	6.3%	2,249	2,399	6.7%	98%	105%
Gross profit	301	228	254	11.2%	-15.7%	1,034	933	-9.7%		
margin	52%	37%	41%			46%	39%			
EBIT	220	182	179	-1.5%	-18.3%	792	717	-9.6%	76%	86%
margin	38%	29%	29%			35%	30%			
Net profit	88	72	94	30.2%	6.5%	331	367	11.1%	94%	96%
margin	15%	12%	15%			15%	15%			

Source: Company data, Bloomberg, RHB

Figure 3: Upcoming oil &amp; gas projects in 2025

Project name	Operator	Capacity	Production	On-stream schedule
Terubuk	Medco EP Natuna	6,654bpd & 60mmmscpd	6,654bpd & 60mmmscpd	2Q25
South Senoro	JOB Pertamina - Medco	110mmmscpd	110mmmscpd	4Q25
Suban Future Facility	Medco Grissik	4,878bpd & 400mmmscpd	4,878bpd & 400mmmscpd	4Q25
Letang Tengah Rawa Exp.	Medco Grissik	70mmmscpd	70mmmscpd	1Q25
Balam GS Upgrade	Pertamina Hulu Rokan	35k b/d	31.9k bpd	1Q25
NDD A14 Stage - 2	Pertamina Hulu Rokan	6,723 b/d	2,814bpd	2Q25
CEOR Minas	Pertamina Hulu Rokan	3k b/d	1.6k bpd	4Q25
Bangkudulis	Pertamina EP	6mmmscpd	6mmmscpd	1Q25
Sisi Nubi AOI 1,3,5	Pertamina Hulu Mahakam	120mmmscpd	60mmmscpd	4Q25
OPL Rama	PHE OSES	739 b/d	739bpd	2Q25
OPL LES	PHE ONWJ	130bpd & 1mmmscpd	130bpd & 4.5mmmscpd	4Q25
Akasia Bagus Stage - 1	Pertamina EP	9k bpd & 2mmmscpd	9k bpd & 22mmmscpd	3Q25
Karamba	ISOG	7mmmscpd	7mmmscpd	2Q25
Bentu Production Line	Energi Mega Persada	8mmmscpd	8mmmscpd	2Q25
A-24	Premiere Oil Natuna Sea	6.7mmmscpd	6.6mmmscpd	3Q25

Source: SKK Migas, Ministry of Energy &amp; Mineral Resources

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Figure 4: MEDC's O&amp;G lifting trend

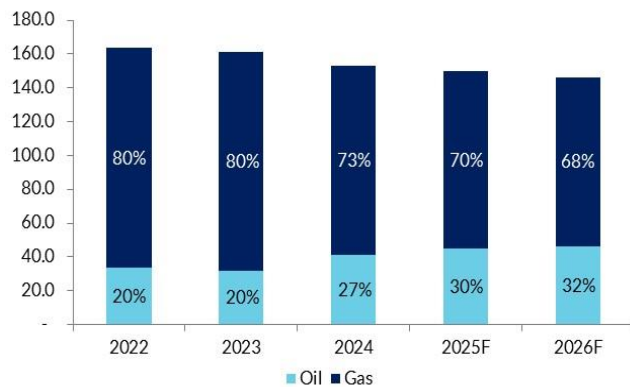
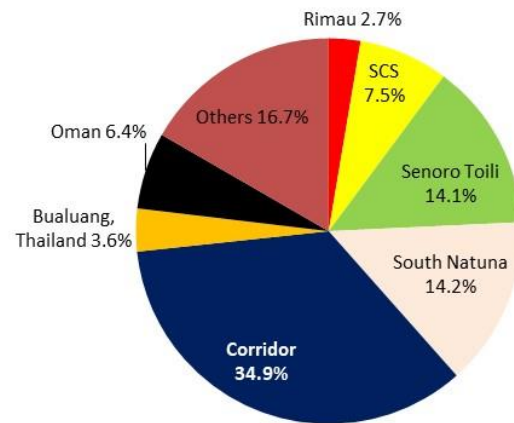


Figure 5: FY25F lifting contributors



Source: Company data

Source: Company data

Figure 6: Trend of revenue contributors (2022-2025F)

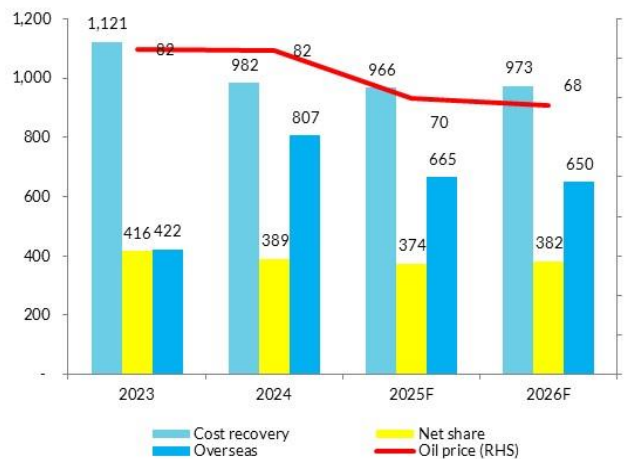
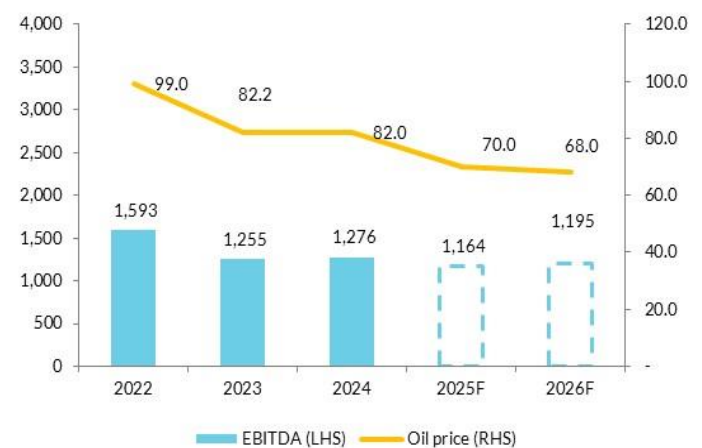


Figure 7: EBITDA vs oil prices (2022-2026F)



Source: Company data

Source: Company data

Figure 8: Sensitivity analysis on MEDC's 2025F EBITDA

EBITDA (USDm)		Oman oil output (+/- 5% kbbpd)				
		10.5	11.0	11.6	12.2	12.8
Oil price (+/- 5%)	60.0	-10.1%	-9.5%	-8.7%	-7.8%	-7.0%
	65.0	-6.0%	-5.3%	-4.3%	-3.4%	-2.5%
	70.0	-1.8%	-1.0%	1,164	1.0%	2.1%
	75.0	2.3%	3.3%	4.3%	5.4%	6.5%
	80.0	6.5%	7.5%	8.7%	9.9%	11.0%

Source: SKK Migas, RHB

◆ Our sensitivity analysis reveals that every **USD5 per bbl** on increase or decrease in oil prices would increase/decrease MEDC's 2025 EBITDA by 4%.

◆ As Oman 60 is MEDC's largest oil field, every **5% change in Omani oil output** would increase/decrease by 1%.

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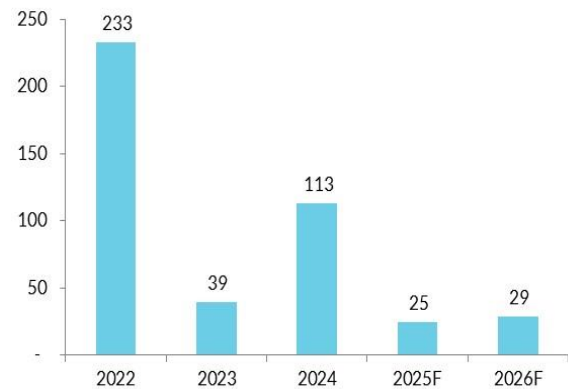
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Figure 9: AMMN's revenue vs gold prices (2023-2026F)



Source: Company data, RHB

Figure 10: MEDC's net income from associate companies (2022-2026F)



Source: Company data, RHB

Figure 11: AMMN's mining and infrastructure project schedule

Year	2024				2025				2026				2030	2031 - 2050			
Quarter	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4					
<b>Mining activities</b>																	
Batu Hijau Phase 7																	
Batu Hijau Phase 8 / Stockpiles																	
Elang Project																	
<b>Infrastructure projects</b>																	
														Unit	Total budget (2021-2025)	Spent (2021-2024)	Spent 2024
Smelter and PMR <sup>1</sup>		①												in US\$m	1,114	1,092	489
CCPP, LNG, and T&D facilities <sup>2</sup>		②												in US\$m	745	519	261
Processing plant expansion														in US\$m	1,640	1,067	496
<b>Total expansion capex</b>														in US\$m	<b>3,499</b>	<b>2,678</b>	<b>1,246</b>
Supporting infrastructure <sup>3</sup>														in US\$m	266	240	198
Processing plant expansion redesign <sup>4</sup>														in US\$m	296	296	114
Sustaining capex														in US\$m	1,131	949	234
<b>Total capex</b>														in US\$m	<b>5,192</b>	<b>4,163</b>	<b>1,792</b>

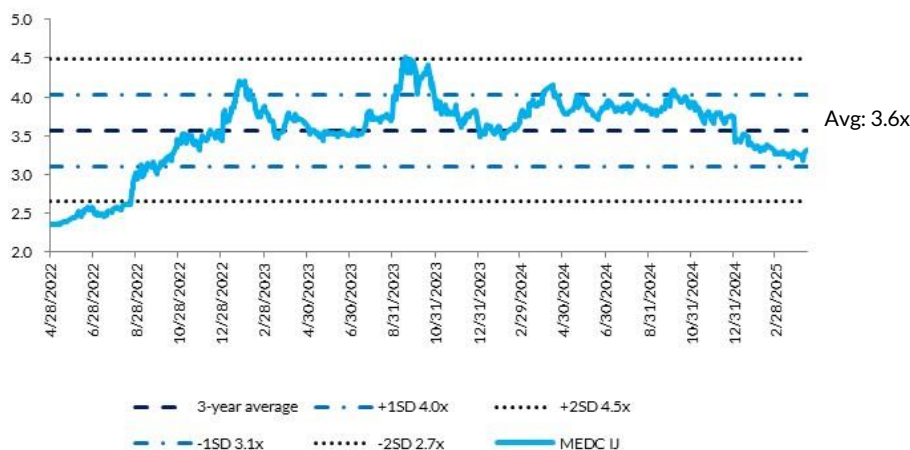
Notes:

- ① Physical completion and start commissioning of smelter
- ② Mechanical completion and start commissioning of 2 x 50 MW Power Plant

- 1. Includes hard capex, owner's costs and project acceleration costs
- 2. Includes hard capex, owner's costs, T&D, fuel storage tank and contingencies
- 3. Includes new town site, port and warehouse
- 4. Redesigning of the processing plant expansion was due to revised, more stringent design standards, particularly regarding seismic considerations, by the Indonesian Government

Source: Company data

Figure 12: MEDC's 3-year average EV/EBITDA band



Source: Bloomberg, RHB



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Figure 13: Peer comparison (MEDC vs other O&amp;G firms)

Company	Tickers	Mkt cap (USDm)	EV/EBITDA 2025F (x)	EV/EBITDA 2026F (x)	P/E 2025F (x)	P/E 2026F (x)	EBITDA Margin (%)	Net Margin (%)
Medco Energi Internasional	MEDC IJ	1,579	3.3	1.3	4.6	4.1	52.0	15.3
PTT Exploration & Production	PTTEP TB	11,950	1.8	1.8	6.1	6.4	74.6	25.1
Oil India	OINL IN	6,944	7.2	6.1	8.3	6.8	17.8	17.3
Inpex Corp	1605 JP	15,752	2.3	2.3	6.5	6.0	8.6	19.5
Santos	STO AU	11,614	4.5	3.7	11.0	8.7	9.1	23.3
<b>Weighted average</b>			<b>3.6</b>	<b>3.0</b>	<b>7.7</b>	<b>6.8</b>	<b>28.0</b>	<b>21.4</b>

Source: Company data, Bloomberg, RHB

Figure 14: Peer comparison (AMMN vs smaller gold producers)

Company	Tickers	Mkt cap (USDm)	EV/EBITDA 2025F (x)	EV/EBITDA 2026F (x)	P/E 2025F (x)	P/E 2026F (x)	EBITDA Margin (%)	Net Margin (%)
Eldorado Gold Corp	ELD CN	3,972	5.2	3.5	12.7	8.2	50.9	23.1
Endeavour Mining	EDV CN	6,566	3.8	3.6	11.2	9.2	54.6	-3.2
Evolution Mining	EVN AU	10,470	8.3	6.8	18.1	13.3	50.7	15.9
Fresnillo	FRES LN	10,001	5.4	5.6	14.1	14.5	44.1	7.2
IAMGOLD Corp	IMG CN	4,170	4.0	3.5	9.4	7.3	45.5	18.7
New Gold	NGD CN	2,831	4.6	2.7	8.5	4.8	46.7	8.8
OceanaGold Corp	OGC CN	2,547	3.2	2.5	8.2	6.0	46.0	16.2
SSR Mining	SSRM CN	2,201	6.3	4.1	11.1	5.4	-19.9	-26.8
<b>Weighted average</b>			<b>5.6</b>	<b>4.7</b>	<b>13.2</b>	<b>10.5</b>	<b>45.1</b>	<b>9.2</b>

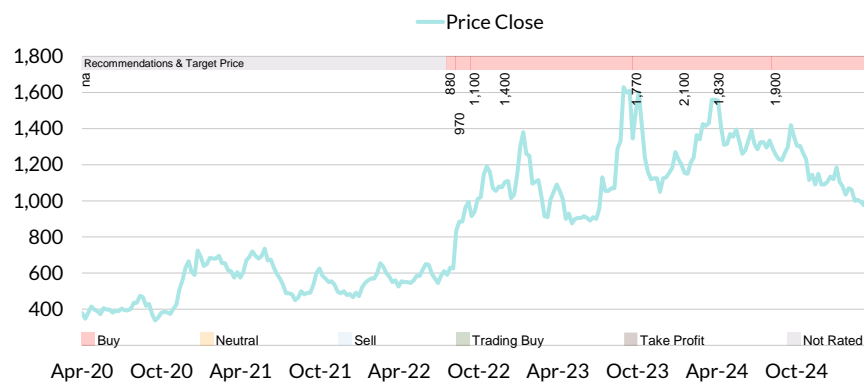
Source: Company data, Bloomberg, RHB

Figure 15: MEDC's valuation

Business segments	EBITDA 2025F	Multiple (x)	Net debt 2025F	Equity Value (USDm)	Per share	MEDC's Ownership	Total Value by (IDR)
MEDC	1,164	3.6	2,307	1,847	0.07	100%	0.07
AMMN	652	5.6	3,531	119	0.00	21%	0.00
ESG premium/discount							4%
<b>TP (USD/share)</b>							<b>0.07</b>
<b>TP Rounded (IDR)</b>	<b>16,800</b>						<b>1,200</b>
Current price							1,055
<b>Upside</b>							<b>14%</b>

Source: Company data, Bloomberg, RHB

## Recommendation Chart



Source: RHB, Bloomberg

Date	Recommendation	Target Price	Price
2024-08-21	Buy	1,900	1,285
2024-04-12	Buy	1,830	1,560
2024-01-22	Buy	2,100	1,175
2023-10-05	Buy	1,770	1,310
2022-12-06	Buy	1,400	1,090
2022-09-28	Buy	1,100	870
2022-08-24	Buy	970	770
2022-08-02	Buy	880	600

Source: RHB, Bloomberg

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<b>Buy:</b>	Share price may exceed 10% over the next 12 months
<b>Trading Buy:</b>	Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain
<b>Neutral:</b>	Share price may fall within the range of +/- 10% over the next 12 months
<b>Take Profit:</b>	Target price has been attained. Look to accumulate at lower levels
<b>Sell:</b>	Share price may fall by more than 10% over the next 12 months
<b>Not Rated:</b>	Stock is not within regular research coverage

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