INDOPREMIER

# Oil & Gas

**NEUTRAL** *(unchanged)*

***Sector update | 8 December 2025***

# 2026 outlook: darkest before dawn

- We think Brent oil price would trade at US$58-68/bbl range as we are pricing in surplus throughout FY26F, a –ve to Oil & Gas E&P producers.
- Bottom-up stories remain robust with recovery in AMMN, potential acquisition for MEDC (Buy), and attractive dividend yield for PGAS.
- However, we maintain our Neutral rating due to challenging top-down view i.e. surplus in oil, soft FDI growth, and limited demand growth.

**Robust bottom-up stories despite challenging top-down environment**
We think several companies under O&G sector shall have robust bottom-up stories in FY26F with further acquisition potential for MEDC (after acquiring 24% addl. participating interest in Corridor block & Sakakemang PSC), along with recovery in production/sales of copper/gold for AMMN which shall support MEDC's bottom-line in FY26F. Meanwhile, concern over PGAS shall be manageable, in our view, with end-users are able to absorb LNG's higher pricing in addition to security over LNG supply. Nevertheless, all of these could be well offset by soft oil price environment in FY26F as surplus continues to build, which are negative to MEDC and PGAS (through Saka Energi). Additionally, soft FDI growth (-1% yoy in 9M25) and uncertainty over mining quota (RKAB) could affect AKRA – i.e. to industrial land (JIIPE) & petroleum and chemical trading business.

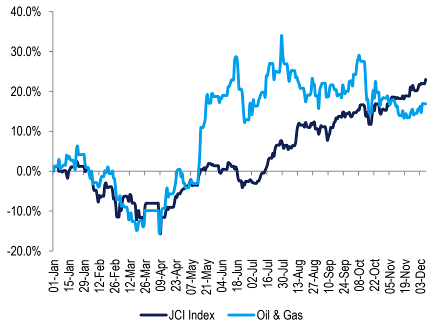
**Oil price to trade at US$58-68/bbl range as surplus continue to build**
We expect Brent Oil price to trade at US$58-68/bbl, as we are pricing-in surplus of around ~1-1.5mn bblpd (Fig. 7) throughout FY26F, driven by combination of: 1) upcoming non-OPEC supply growth, particularly from Brazil & Guyana, 2) higher than expected U.S shale oil production, and 3) lower demand growth of ~900k bblpd vs. 1.1mn bblpd growth in FY25F. However, we expect a floor price of US$58/bbl, as we expect U.S shale oil production to peak by 2Q26F/3Q26F, in addition to limited spare capacity by the likes of Saudi Arabia and UAE, providing a ceiling on how much supply could be increased further in FY26F.

**Tactically positive on 4Q25F result & PGAS dividend disbursement**
On the short-term, we think MEDC shall deliver robust 4Q25F result as O&G production shall reflect the full contribution of Corridor block's participating interest (PI) post its acquisition from Repsol, in addition to AMMN's ability to export concentrate. Meanwhile, while we have a Hold rating on PGAS, its dividend yield remains attractive at 8-9% and we are tactically positive on the name, nearing its dividend disbursement date in Jun26F. We are also positive on ESSA with NP likely to grow significantly on qoq basis (report) due to elevated Middle-East Ammonia price, trading closer to US$500/t in recent week (Fig. 9).

**Maintain sector Neutral; tactically positive on ESSA, MEDC, & PGAS**
We maintain our sector Neutral rating on Indonesia O&G sector, as we think there could be better timing to enter the sector once oil surplus peaked sometime in 2Q26F/3Q26F. However, in the short-term, we like ESSA & MEDC, on potentially stellar 4Q25F result; and PGAS due to its attractive dividend yield (8-9% at current share price). Downside risks include higher than expected oil surplus, lower RKAB mining quota (to AKRA's petroleum business), easing geopolitical tension and policy uncertainty.

**Sector Index Performance**

| | 3M | 6M | 12M |
|---|---|---|---|
| Absolute | -4.2% | -1.8% | 13.2% |
| Relative to JCI | -14.9% | -24.2% | -4.7% |




**Summary Valuation Metrics**

| P/E (x) | 2025F | 2026F | 2027F |
|---|---|---|---|
| AKRA IJ | 10.0 | 8.8 | 8.3 |
| MEDC IJ | 17.0 | 6.1 | 5.7 |
| PGEO IJ | 20.0 | 16.7 | 15.1 |
| PGAS IJ | 9.3 | 8.2 | 8.3 |

| EV/EBITDA (x) | 2025F | 2026F | 2027F |
|---|---|---|---|
| AKRA IJ | 6.8 | 5.3 | 4.7 |
| MEDC IJ | 4.0 | 3.5 | 3.3 |
| PGEO IJ | 9.4 | 8.5 | 7.8 |
| PGAS IJ | 4.0 | 3.4 | 3.2 |

| Div. Yield | 2025F | 2026F | 2027F |
|---|---|---|---|
| AKRA IJ | 8.0% | 6.3% | 7.0% |
| MEDC IJ | 3.4% | 3.6% | 1.2% |
| PGEO IJ | 4.0% | 3.8% | 4.5% |
| PGAS IJ | 9.3% | 8.6% | 9.7% |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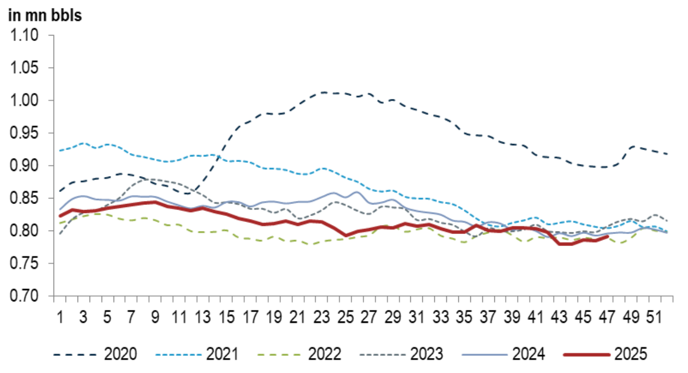
### Inventory build in recent months are negative to oil price

Global oil inventory (i.e. onshore + oil-on-water) has remained high in comparison to the average 5 years at ~5.4mbbls, and supply-demand balance is likely to end the quarter at a surplus in 4Q25F. As a context, current oil-on-water inventory level is at its highest since Covid-19 period when oil prices hit US$30/bbl and its futures trading at negative territory.

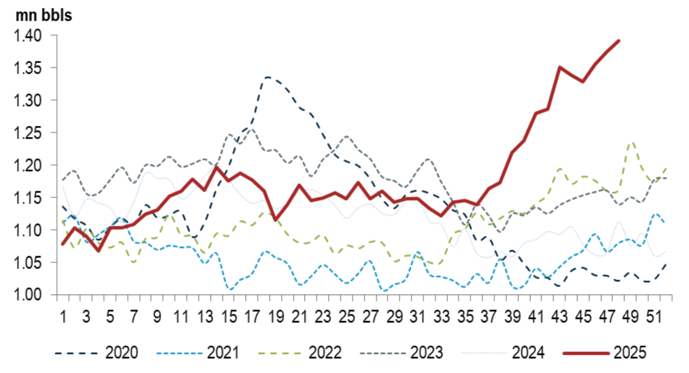
On the other hand, based on EIA data, U.S big 4 storage (crude, gasoline, distillate, and jet-fuel) currently stood at a historical five-year low with recent inventory draw from the U.S pointing out to be a bullish signal on crude oil price. However, we think this may not be bullish after-all, given that U.S crude and gasoline exports were higher vs. initial expectation, leading to a drawdown in the storage for domestic demand. Thus, it is likely that once exports demand cooldown, this will lead to a build-up in U.S inventory, offsetting the recent drawdown in U.S storage.

**Fig. 1: U.S Big 4 storage**




*Source: EIA, Indo Premier*

**Fig. 2: Global oil-on-water**

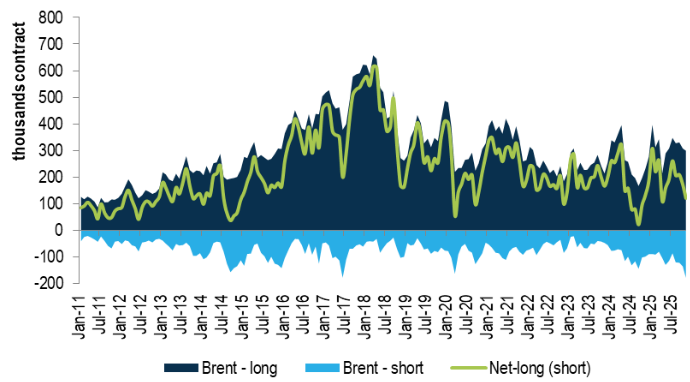



*Source: Bloomberg, Indo Premier*

### Positioning: light in oil; low across commodities

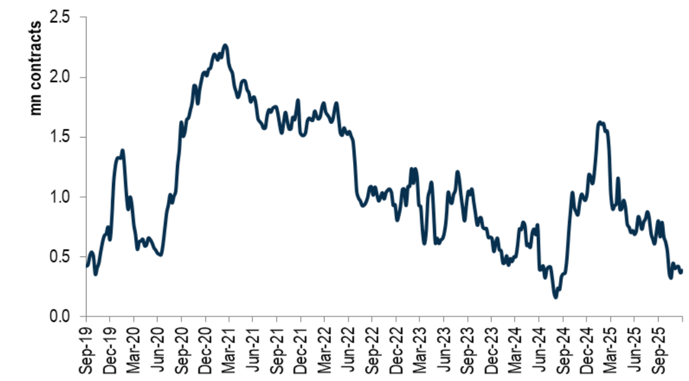
Speculators' positioning on Brent oil has remain relatively light in comparison to historical period with short position almost comparable to Covid-19 period, indicating limited downside from positioning perspective. Positioning across commodities have been low as well with long position in several commodities (i.e. copper, agriculture products, metals) gradually declining from its early-2025 peak (Fig. 4).

**Fig. 3: Short/long positioning on Brent Oil**




*Source: Bloomberg, Indo Premier*

**Fig. 4: Speculators' long positioning across 24 commodities**

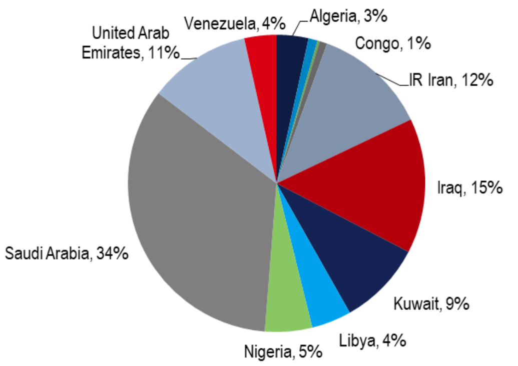



*Source: Bloomberg, Indo Premier*

**OPEC+: limited spare capacity is a +ve to oil price**
We estimate that OPEC+ has a limited spare capacity left to truly increase production going into FY26F with around 1.7mn bblpd spare capacity left (c.2% global oil supply/demand). Out of the OPEC+ voluntary eight (V8), only Saudi and UAE, in our view, has the real ability to increase production significantly (~1mn bblpd from Saudi + 300-400kbblpd from UAE).

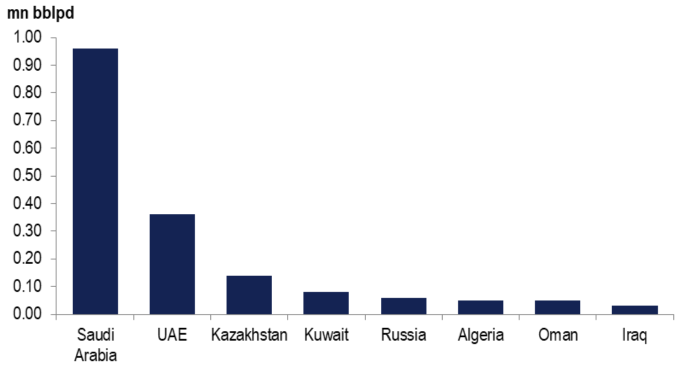
However, another downside risks to oil price also come from easing geopolitical tensions between U.S and Venezuela & Iran, as up to c.1mn bblpd shall become available in the market coming entirely from Venezuela with majority of Iranian oil already going into China at the moment.

**Fig. 5: OPEC+ production breakdown**




*Source: OPEC, EIA, Indo Premier*

**Fig. 6: OPEC+ V8 spare capacity**




*Source: Bloomberg, Indo Premier*

**FY26F supply-demand: surplus expected to peak by 2Q/3Q26F**
For FY26F, we expect oil balance to come at surplus (Fig. 7) with the surplus peaking in 2Q26F/3Q26F as we estimate: 1) U.S shale oil production to peak in 1H26F (at around ~13.8mn bblpd) before declining in 2H26F, 2) upcoming non-OPEC supply growth, particularly from Brazil and Guyana, and 3) slightly lower demand growth yoy of only 900k bblpd in FY26F vs. 1.1mn bblpd in FY25F.

**Fig. 7: Supply-demand balances**

| Global supply-demand (mbblpd) | 2025F | 1Q26F | 2Q26F | 3Q26F | 4Q26F | 2026F |
|---|---|---|---|---|---|---|
| **Demand** | | | | | | |
| **Total demand** | **105.8** | **105.1** | **106.8** | **107.5** | **108.4** | **107.0** |
| | | | | | | |
| **Supply** | | | | | | |
| Americas | 36.1 | 35.7 | 35.3 | 35.5 | 35.9 | 35.6 |
| Europe | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 |
| Asia | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 | 7.5 |
| Former USSR | 13.7 | 13.8 | 13.8 | 13.8 | 13.8 | 13.8 |
| Middle East | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 | 3.2 |
| Africa | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 | 2.6 |
| Processing gains | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 | 2.4 |
| Global biofuels | 3.3 | 3.3 | 3.3 | 3.4 | 3.4 | 3.3 |
| **Total non-OPEC supply** | **72.0** | **71.7** | **71.3** | **71.5** | **72.0** | **71.6** |
| OPEC production + Others | 34.2 | 34.7 | 36.9 | 37.4 | 37.5 | 36.6 |
| **Total supply** | **106.2** | **106.4** | **108.1** | **108.9** | **109.4** | **108.2** |
| | | | | | | |
| **Supply - demand imbalance** | **0.4** | **1.3** | **1.3** | **1.4** | **1.0** | **1.2** |

*Source: EIA, IEA, OPEC, Indo Premier estimates*

We think the biggest upside risks to oil price is likely to be driven by higher than expected heating demand during seasonal 4Q winter (up to ~1mn bblpd) or lower than expected production by OPEC+. Nevertheless, with OPEC+ spare capacity is much lower vs. previously: Saudi making up the majority of the spare capacity at around ~1mn bblpd vs. 3-4mn bblpd previously, followed by UAE (300-400k bblpd), downside to oil price shall remain relatively limited, albeit lacking short-term catalysts.

As a result, we expect crude oil prices to trade at around US$58-68/bbl range in FY26F, barring any geopolitical tension premium.

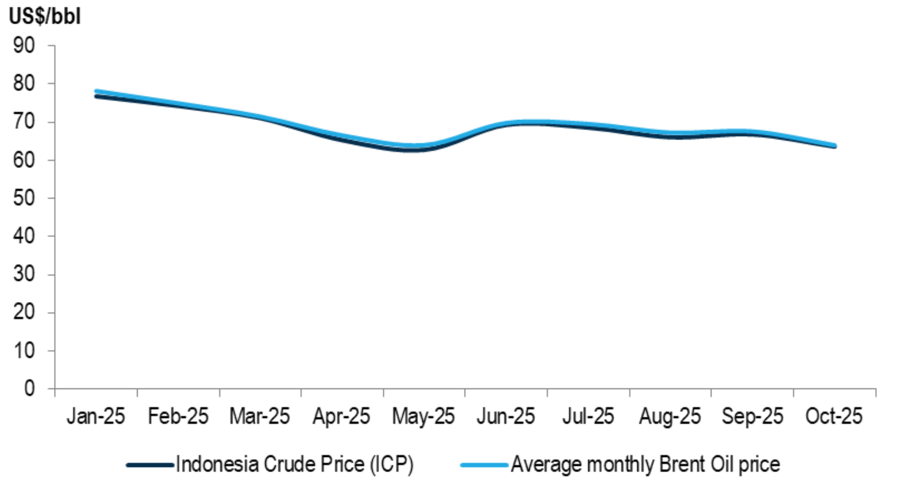
**PGAS' LNG margin: to benefit when oil prices trending down**

Due to natural decline in piped-gas supply, PGAS mentioned that LNG portion in FY26F is likely to be higher at c.20% (vs. low-teens in FY25F). This was also driven by continuous piped-gas supply decline from Corridor block in FY26F to 238bbtud (vs. 270bbtud in FY25F). This meant that LNG pricing along with its margin would gradually becoming more impactful to PGAS' gas distribution spread and its overall profitability.

Note that PGAS' LNG margin is unlikely to be directly affected by the actual LNG or natural gas price movement (i.e. Dutch TTF nor Henry Hub) as its purchase price and ASP is determined by the ICP (Indonesia Crude Price) x Slope (determined by government/ESDM) + Alpha. In which, the Alpha would account for the actual costs related to gas distribution including regasification process, overhead, and other costs.

With ICP price mimicking the movement of average monthly Brent Oil price, downtrend in oil price shall lead to higher margin for PGAS' LNG distribution spread – and vice versa, higher oil price = lower LNG margin, as: 1) LNG ASP was already determined based on the previous 3-months ICP price, but 2) its costs would be determined based on the date/month of the LNG price purchase using the previous month ICP price. This meant that during oil price downtrend, PGAS could deliver higher distribution margin for its LNG.

**Fig. 8: Indonesia Crude Prices (ICP) vs. average monthly Brent Oil price**




*Source: Company, Indo Premier*

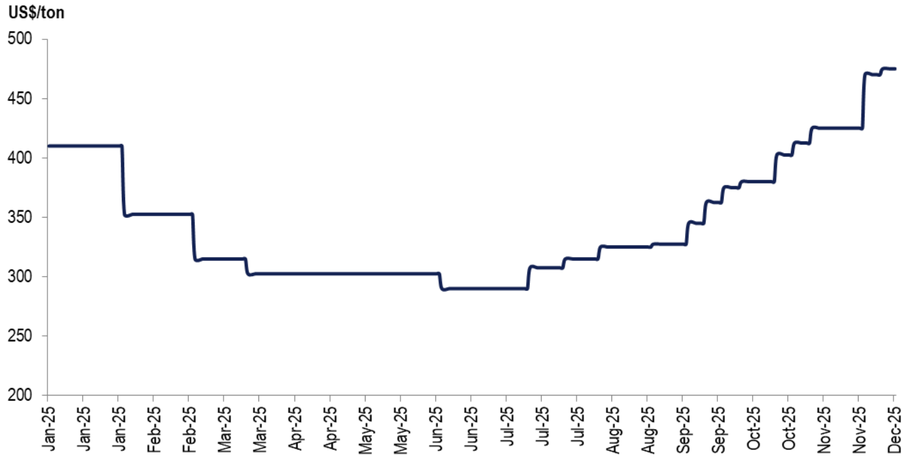
**Maintain sector Neutral; dividend from PGAS set to remain intact**

We maintain our sector Neutral rating on Oil & Gas sector, as we think that investors shall wait for better entry timing for O&G's E&P producers (i.e. MEDC) once we see the surplus peaking sometime in 2Q26F or 3Q26F and improving investment climate for AKRA (through land sales via JIIPE). We rated MEDC as a Buy as MEDC is also trading at an attractive valuation of 6x FY26F P/E (Fig. 10), thanks to production recovery in Amman Mineral (AMMN) in addition to higher participating interest (PI) in Corridor Block.

Meanwhile, for PGAS, we are tactically positive on the name, as investors' feedback indicate lack of investment ideas across other sectors with recent noises on metal names (i.e. export tax, RKAB quota approval uncertainty), owing to its attractive c.8-9% dividend yield that is set to be disbursed sometime in Jun26F (assuming c.80% dividend payout ratio).

We also like ESSA, as a proxy to natural gas, on the back of rising ammonia prices with Middle East Ammonia price trending closer to US$500/t vs. avg. 3Q25 price of US$350-370/ton. See details on our report

**Fig. 9: Middle East Ammonia price**




*Source: Bloomberg, Indo Premier*

**Fig. 10: Oil & Gas stocks under our coverage & recommendation**

| Ticker | Company | Rating | Target price (Rp/share) | P/E | | | EV/EBITDA | | | Dividend yield (%) | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | | | 25F | 26F | 27F | 25F | 26F | 27F | 25F | 26F | 27F |
| AKRA IJ | AKR Corporindo | Buy | 1,480 | 10.0 | 8.8 | 8.3 | 6.8 | 5.3 | 4.7 | 8.0% | 6.3% | 7.0% |
| MEDC IJ | Medco Energi Internasional | Buy | 1,600 | 17.0 | 6.1 | 5.7 | 4.0 | 3.5 | 3.3 | 3.4% | 3.6% | 1.2% |
| PGEO IJ | Pertamina Geothermal | Hold | 1,650 | 20.0 | 16.7 | 15.1 | 9.4 | 8.5 | 7.8 | 4.0% | 3.8% | 4.5% |
| PGAS IJ | Perusahaan Gas Negara | Hold | 1,800 | 9.3 | 8.2 | 8.3 | 4.0 | 3.4 | 3.2 | 9.3% | 8.6% | 9.7% |
| ESSA IJ | ESSA Industries | Buy | 1,000 | 18.7 | 13.8 | 12.7 | 5.6 | 6.2 | 6.6 | N/A | N/A | N/A |

*Source: Bloomberg, Company data, Indo Premier*

**SECTOR RATINGS**

| | | |
|---|---|---|
| OVERWEIGHT | : | An Overweight rating means stocks in the sector have, on a market cap-weighted basis, a positive absolute recommendation |
| NEUTRAL | : | A Neutral rating means stocks in the sector have, on a market cap-weighted basis, a neutral absolute recommendation |
| UNDERWEIGHT | : | An Underweight rating means stocks in the sector have, on a market cap-weighted basis, a negative absolute recommendation |

**COMPANY RATINGS**

| | | |
|---|---|---|
| BUY | : | Expected total return of 10% or more within a 12-month period |
| HOLD | : | Expected total return between -10% and 10% within a 12-month period |
| SELL | : | Expected total return of -10% or worse within a 12-month period |

**ANALYSTS CERTIFICATION**

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