KGI

UPDATE | Energy ▪ SINGAPORE

GEO ENERGY RESOURCES LTD

(GERL SP / RE4.SI)

MBJ live and TRA ramping up from September

Alyssa Tee | +65 6202 1193 | alyssa.tee@kgi.com

Investment Highlights

- **Soft 1H26 volumes masked resilient unit economics.** Revenue declined approximately 28% YoY to US$207.1mn as coal sales fell to 3.6Mt from 6.3Mt in 1H25. The decline was driven mainly by lower volume rather than margin compression. Average selling price rose to US$53.88/t and cash profit improved 31% YoY to US$13.30/t, despite production cash cost increasing to US$40.58/t.
- **MBJ completion shifts the focus towards execution.** Geo Energy's 92km MBJ integrated hauling road and jetty became operationally live on 16 July 2026, with the first approximately 50,000-tonne coal shipment valued at US$3.2m successfully loaded on the same day. The completion removes a major infrastructure bottleneck for the TRA mine and positions the Group to deliver a significant production ramp-up from September, following the deployment of additional trucks and double trailers.
- **ResInvest discussions advance towards definitive documentation.** Management indicated that ResInvest has completed an on-site due diligence visit and discussions have progressed to legal documentation. The proposed transaction is expected to involve ResInvest acquiring a portion of Geo Energy's existing MBJ shares at the US$1.5bn valuation referenced in the May 2026 term sheet. Completion would provide direct monetisation for Geo Energy and establish an observable third-party valuation for its remaining MBJ interest.
- **Coal-price recovery and capital returns provide support.** ICI4 averaged US$63.14/t in July, approximately 9% above the 1H26 average of US$58.13/t, while the higher benchmark prices were not fully captured in 1H26 realised pricing. Geo Energy also reiterated its policy of returning at least 30% of profits through dividends and/or share buybacks.

Valuation & Action.

We maintain our **OUTPERFORM** rating on Geo Energy with a 12-month target price of **S$1.15** (previously S$1.27). The reduction in our target price reflects a lower core DCF value following higher forecast borrowings, elevated FY26 investment expenditure and weaker near-term free cash flow.

Risks.

Key risks include (i) delays to truck and double-trailer deployment; (ii) failure to meet FY26 production guidance; (iii) weaker coal prices; (iv) higher strip ratios and mining costs; (v) delays or non-completion of the ResInvest transaction; (vi) slower third-party MBJ adoption; (vii) changes to Indonesian benchmark pricing or export regulations; and (viii) execution risk relating to the coking-coal project.

OUTPERFORM	
Last close (S$)	0.55
12M Target Price (S$)	1.15
Previous TP (S$)	1.27
Previous Recommendation	OP
Upside / (Downside) (%)	110.96
TRADING DATA	
Market Cap (S$mn)	968.32
Issued Shares (mn)	1,776.73
3M Avg Daily Vol (mn)	11.23
3M Avg Daily Val (S$mn)	5.68
Free Float (%)	45.93
MAJOR SHAREHOLDERS (%)	
Melati Charles Anton	28.92
Master Resources Ltd	12.29
Heah Theare Haw	5.74

Financials & Key Operating Statistics

YE Dec (US$'mn)	2024	2025	2026F	2027F	2028F
Revenue	401.9	562.7	613.2	817.0	842.4
PATMI	31.4	27.5	55.6	98.0	97.4
EPS (US$ cents)	2.65	1.93	3.12	5.50	5.46
EPS growth (%)	(40.4%)	(27.2%)	61.8%	76.2%	(0.7%)
DPS (S$ cents)	1.00	0.55	1.22	2.15	2.13
Div Yield (%)	3.4%	1.3%	2.2%	3.9%	3.9%
Net Profit Margin (%)	7.8%	4.9%	9.1%	12.0%	11.6%
Net Gearing (%)	21.4%	29.4%	34.8%	22.6%	10.2%
P/E (x)	8.7x	16.8x	13.4x	13.1x	7.7x
P/B (x)	0.6x	0.9x	1.0x	0.9x	0.8x

Source: Company data, KGI Research estimates

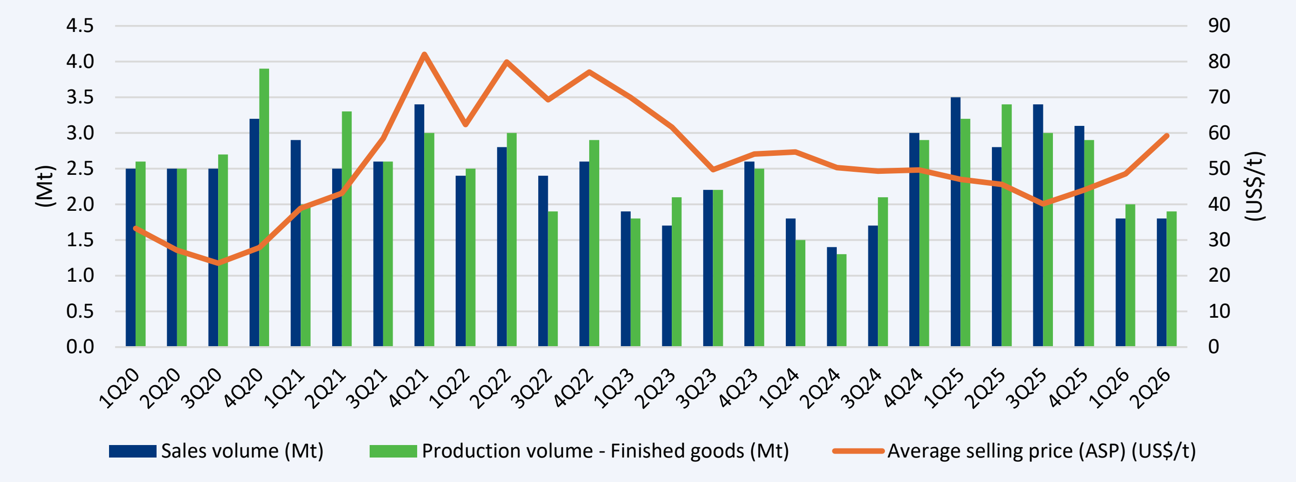
Business Updates

1H26 results: lower volume, resilient margins

Geo Energy’s 1H26 revenue declined 28% YoY to US$207.1mn, while net profit fell 28% to US$15.6mn on coal sales of 3.6mt, compared with 6.3mt in 1H25. PATMI was US$14.2mn and basic EPS was 0.82 US cents. The weaker result reflects the back-loaded production profile ahead of the MBJ-enabled TRA ramp rather than a deterioration in unit profitability.

Average ICI4 increased to US$58.13/t from US$47.91/t in 1H25, while ASP rose to US$53.88/t from US$46.26/t. Cash profit from coal mining was US$47.5mn, equivalent to US$13.30/t and 31% higher on a per-tonne basis. Production cash cost increased to US$40.58/t from US$36.07/t, mainly due to higher fuel costs, higher strip ratios at TBR and TRA and longer waste-haul distances. Management noted that the sharp increase in ICI4 occurred late in the period and should be more fully reflected in 2H26 realised prices.

Figure 1: Historical sales volume, production volume and average selling price – 1Q20 - 2Q26



Source: Company, KGI Research

MBJ operationally live, with the main ramp beginning in September

MBJ commenced operations on 16 July 2026 and the August presentation showed overall project completion of 98.57% as of 24 August, including additional project scope. Management indicated that more than 100 trucks were operating and that the new road reduces a round trip from approximately one day to 3.5 hours, allowing each truck to complete around 2.5 rotations per day. Additional double-trailer trucks are expected from September, supporting management’s target of 0.8-1.0mt of monthly TRA production during the final four months of 2026.

Our model assumes 5.0mt of TRA production in FY26, towards the lower end of management’s approximately 5.0-5.5mt target. Together with 6.6mt from SDJ and TBR, this produces total group output of 11.6mt, towards the bottom of formal guidance of 11.5-12.5mt. Successful delivery of the September ramp is therefore the key operational catalyst for 2H26.

Third-party MBJ usage provides longer-term upside

MBJ has secured binding term sheets covering approximately 9mtpa of potential third-party usage. Management is negotiating an eight-year agreement with one prospective road user and expects third-party throughput to become more meaningful from 2H27. Geo Energy will initially prioritise its own TRA production before allocating significant capacity to external users. We have not incorporated third-party toll income into our earnings forecasts.

At full utilisation, management estimates that MBJ could generate up to US$600mn of annual EBITDA through a combination of internal logistics savings and third-party toll income. We treat this as longer-term upside rather than part of our base case, pending evidence of sustained TRA throughput, definitive external contracts and disclosed toll rates.

Marine logistics provides recurring earnings and operating control

TMP and BSM contributed US$14.7mn of revenue and US$4.6mn of cash profit in 1H26, representing a cash margin of approximately 31.5%. The provisional purchase-price allocation recognised US$106.7mn of goodwill and US$57.6mn of property, plant and equipment at fair value, principally relating to vessels.

The acquisition strengthens Geo Energy's control over tugboat and barge availability while capturing margins previously paid to third-party providers. Our model incorporates the marine-logistics businesses at Geo Energy's 51% economic interest and forecasts FY26 revenue and gross profit of US$29.4mn and US$7.3mn, respectively.

Coking-coal optionality remains outside our base case

The Group entered non-binding MOUs with Trafigura and PT East Wonders Indonesia to support the development and marketing of hard coking coal. The proposed arrangements include a potential US$50-100mn Trafigura prepayment, indicative export offtake of approximately 1.5mtpa and a 15-year underground-mining partnership with initial capital expenditure estimated at US$60mn. Preliminary reserves are estimated at 15-20mt. We have not incorporated the project into our forecasts pending definitive agreements, reserve certification and a development timetable.

Capital actions

Geo Energy declared a second interim dividend of 0.10 Singapore cent per share. Together with the earlier interim dividend and US$2.4mn of share buybacks completed in July, total capital returned or committed amounted to approximately US$5.2mn, equivalent to 33% of 1H26 profit. Management reiterated its policy of returning at least 30% of profits through dividends and/or share buybacks.

On 7 July 2026, the Company commenced its new share buyback programme in accordance with the share buyback authority approved by shareholders. The first purchase comprised 637,500 shares from the open market, representing approximately 6.7% of the 9,410,100 shares traded that day, at an average price of S$0.519. The Group intends to undertake further share buybacks, reflecting management's view that the current share price is undervalued.

Outlook

Production to accelerate from September

The earnings inflection should begin from September following the deployment of additional double-trailer trucks. With 3.9mt produced in 1H26, Geo Energy must deliver approximately 7.7mt in 2H26 to meet our FY26 forecast of 11.6mt. This requires TRA production to approach management's target of 0.8-1.0mt per month during the final four months of the year.

We forecast total production increasing to 17.1mt in FY27, comprising 11.0mt from TRA and 6.1mt from SDJ and TBR. This is broadly consistent with management's indicative target of 17-18mt. Production subsequently increases to 19.8mt in FY28 as TRA becomes the Group's principal operating asset and SDJ approaches the end of its producing life.

MBJ cost savings progressively reflected in our forecasts

Management estimates that MBJ reduces TRA logistics costs by approximately US$8/t and believes that TRA cash costs could ultimately decline towards the mid-US$30s to low-US$40s. We retain our US$48/t assumption for FY26 because MBJ only became operational in July and the main production ramp is expected to begin in September.

We reduce our TRA cash-cost assumptions to US$44/t in FY27 and US$43/t in FY28. This reflects the benefits of a full year of MBJ utilisation, higher truck productivity and operating leverage from the increase in TRA production. The trajectory remains conservative relative to management's longer-term objective of approximately US$35/t and retains a buffer for strip-ratio, mining-depth and ramp-up risks.

Consequently, the FY26 earnings recovery remains primarily volume-driven, while the combination of higher production and lower unit costs becomes more significant from FY27. Earlier achievement of costs below US$43/t, a lower-than-expected strip ratio or third-party infrastructure income would provide further upside to our forecasts.

Coal prices strengthen as regional demand remains supportive

ICI4 averaged US$63.14/t in July, approximately 9% above the 1H26 average of US$58.13/t and reached US$65.65/t on 21 August. Our ASP assumptions of US$59.0/t, US$58.6/t and US$56.0/t for FY26-FY28 remain below recent spot levels. Sustained ICI4 prices in the US$63-65/t range would provide earnings upside, subject to product-quality adjustments, sales timing and the Indonesian HPB taxation mechanism.

The regional power-demand backdrop remains supportive. The IEA expects global electricity demand to grow 3.6% in 2026 and 3.8% in 2027, supported by industrial activity, cooling demand and data centres. Coal continues to account for around half of Southeast Asia's electricity generation, while more than 35% of the region's incremental electricity demand through 2027 is expected to be met by coal-fired generation.

Indonesian export-control risk appears manageable

Danantara has stated that existing commercial relationships may continue provided transactions comply with Indonesian regulations and do not involve under-invoicing. DSI is expected to operate as an intermediary, facilitator and digital-monitoring platform rather than replace miners' existing commercial arrangements.

President Prabowo subsequently reassured industry participants that DSI would oversee commodity exports without taking control of them. This is consistent with management's view that customer purchasing behaviour remains business as usual. Nevertheless, implementation requirements and changes to pricing documentation remain potential operational risks.

Valuation

We maintain OUTPERFORM and lower our 12-month target price to S$1.15 from S$1.27. The revised target price implies approximately 111% upside from the current share price of S$0.545. The lower target price relative to our published 1Q26 report principally reflects higher forecast borrowings, elevated FY26 capital expenditure and working-capital requirements, and the resulting reduction in near-term free cash flow. These factors are partly offset by incorporating a measured decline in TRA cash costs following the commencement of MBJ operations.

We retain our US$48/t TRA cash-cost assumption for FY26, reflecting the limited period of MBJ utilisation and the back-loaded production ramp. We subsequently reduce our assumptions to US$44/t in FY27 and US$43/t in FY28. This recognises the benefits of a full year of MBJ operations while remaining conservative relative to management's expectation of costs in the mid-US$30s to low-US$40s.

Figure 2: DCF Valuation (including 51% ownership of Marine Logistics)

(US$mn)		2026	2027	2028	2029	2030
Production (mn tonnes)						
SDP (SDJ +TBR)		6.6	6.1	3.8		
TRA		5.0	11.0	16.0	18.0	20.8
Total production		**11.6**	**17.1**	**19.8**	**18.0**	**20.8**
Gross Profit (including 51% Marine Logistics)		**116**	**178**	**178**	**153**	**174**
OPEX		(23)	(30)	(31)	(24)	(27)
Dep & Amt		(36)	(41)	(41)	(42)	(46)
EBIT		57	106	105	87	102
FCF		(32)	51	76	140	101
PV (FCF)		**(29)**	**44**	**60**	**104**	**69**
PV (FCF) [Enterprise Value]	822.8					
Plus Net Borrowing (US$m)	-321.0					
FCF to equity (US$m)	**501.8**					

Source: KGI Research

Figure 3: DCF and MBJ Mark-to-Deal Valuation

Valuation	
DCF Equity Value (US$m) (including marine logistics - 51%)	501.8
MBJ Integrated Infrastructure valuation (US$m)	1500.0
MBJ ownership	71.3%
MBJ value owned by Geo (US$m)	1,069.5
Total Equity Value (US$m)	1,571.3
Total Equity Value (S$m)	2,042.7
Number of shares outstanding (S$m)	1,777
Current Share Price*	0.545
FX rate (USD/SGD)*	1.30
Target Price	**1.15**
Upside / (Downside)	**111.0%**

Source: KGI Research

Valuation build

Our revised stack comprises:

- a US$501.8mn DCF equity value for the coal-mining and 51%-owned marine-logistics businesses; and
- US$1,069.5mn for Geo Energy's 71.3% interest in MBJ.

We continue to exclude third-party MBJ toll income, proceeds or disposal gains from the proposed ResInvest transaction and the coking-coal project from our base-case forecasts. The key evidence required to support further upside remains sustained TRA production of 0.8-1.0Mt per month, declining unit costs, completion of the ResInvest transaction and conversion of third-party road-user term sheets into paying contracts.

Financial Summary

INCOME STATEMENT (US$'000)	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue	401,899	562,664	613,181	817,013	842,439
Cost of sales	(349,254)	(476,969)	(496,992)	(638,684)	(664,931)
Gross profit	**52,645**	**85,694**	**116,189**	**178,329**	**177,509**
Other income	35,768	1,546	6,132	8,170	8,424
General & Administrative expenses	(22,202)	(24,464)	(29,433)	(39,217)	(40,437)
Other expenses	(11,552)	653	653	653	653
Profit from operations	**54,658**	**63,428**	**93,541**	**147,935**	**146,149**
Net finance income / (cost)	(17,389)	(14,283)	(19,351)	(17,224)	(16,345)
Profit before tax	**37,269**	**49,146**	**74,190**	**130,711**	**129,804**
Tax expense	(5,890)	(21,625)	(18,547)	(32,678)	(32,451)
Net profit (PATMI)	**31,379**	**27,521**	**55,642**	**98,033**	**97,353**
EPS (US$ cents)	2.65	1.93	3.12	5.50	5.46
DPS (S$ cents)	1.00	0.55	1.22	2.15	2.13

CASH FLOW STATEMENT (US$'000)	FY24A	FY25A	FY26E	FY27E	FY28E
Profit before tax	43,150	49,146	74,190	130,711	129,804
Depreciation & amortisation	30,211	41,162	36,258	41,440	41,299
Working capital changes	19,664	(15,660)	(37,396)	(54,148)	(28,970)
Tax paid	(17,765)	9,774	(18,547)	(32,678)	(32,451)
Other operating items	(4,541)	12,362	17,170	13,523	12,273
Operating cash flow	**70,719**	**96,784**	**71,675**	**98,848**	**121,955**
Capex	(10,026)	(39,532)	(73,192)	(15,828)	(14,738)
Acquisitions / disposals	(11,270)	(38,388)	(20,470)	-	-
Other investing items	(27,820)	(45,252)	(67,835)	-	-
Investing cash flow	**(49,117)**	**(123,172)**	**(161,497)**	**(15,828)**	**(14,738)**
Net debt drawdown / (repayment)	(16,330)	27,740	57,997	(25,711)	(5,211)
Dividends paid	(10,383)	(11,360)	(7,889)	-	-
Equity issuance / (buyback)	9,049	17,003	26,018	-	-
Other financing items	(22,562)	(18,546)	(18,204)	(17,224)	(16,345)
Financing cash flow	**(40,226)**	**14,836**	**57,923**	**(42,935)**	**(21,555)**
Net change in cash	**(18,624)**	**(11,551)**	**(31,900)**	**40,085**	**85,662**
FX effects	(718)	(1,312)	-	-	-
Beginning cash	135,797	116,455	103,592	71,692	111,777
Ending cash	**116,455**	**103,592**	**71,692**	**111,777**	**197,439**

BALANCE SHEET (US$'000)	FY24A	FY25A	FY26E	FY27E	FY28E
Cash & equivalents	118,073	105,140	73,240	113,325	198,987
Trade receivables	113,021	121,311	102,174	136,138	140,375
Inventories	34,360	30,631	40,406	51,925	54,059
Other current assets	52,193	52,916	50,228	66,925	69,008
Current assets	**317,647**	**309,998**	**266,048**	**368,313**	**462,429**
Property, plant & equipment	484,604	591,252	702,825	696,805	689,274
Intangibles & goodwill	-	-	106,709	106,709	106,709
Other non-current assets	215,614	230,317	290,763	278,442	264,027
Non-current assets	**700,218**	**821,569**	**1,100,297**	**1,081,956**	**1,060,009**
Total assets	**1,017,866**	**1,131,567**	**1,366,344**	**1,450,270**	**1,522,438**
Trade payables	133,321	206,096	163,395	174,982	154,847
Short-term borrowings	25,512	13,821	58,313	53,742	52,846
Other current liabilities	1,025	9,355	9,355	9,355	9,355
Current liabilities	**159,858**	**229,272**	**231,062**	**238,079**	**217,047**
Long-term borrowings	208,362	249,303	264,200	243,224	239,028
Other non-current liabilities	109,644	116,347	155,394	155,245	155,289
Non-current liabilities	**318,006**	**365,650**	**419,594**	**398,469**	**394,316**
Total liabilities	**477,864**	**594,922**	**650,656**	**636,548**	**611,363**
Shareholders' equity	449,451	442,679	602,450	700,484	797,836
Minority interests	90,551	93,966	113,238	113,238	113,238
Total equity	**540,002**	**536,645**	**715,688**	**813,722**	**911,074**

KEY RATIOS & VALUATION	FY24A	FY25A	FY26E	FY27E	FY28E
Revenue growth (%)	(17.8%)	40.0%	9.0%	33.2%	3.1%
Gross margin (%)	13.1%	15.2%	18.9%	21.8%	21.1%
Net profit margin (%)	7.8%	4.9%	9.1%	12.0%	11.6%
ROE (%)	7.0%	6.2%	9.2%	14.0%	12.2%
ROA (%)	3.1%	2.4%	4.1%	6.8%	6.4%
Net debt / equity (x)	0.21x	0.29x	0.35x	0.23x	0.10x
Dividend payout (%)	37.7%	28.5%	39.0%	39.0%	39.0%
P/E (x)	8.65x	16.84x	13.42x	13.13x	7.67x
EV/EBITDA (x)	8.37x	9.19x	10.66x	7.48x	7.59x
P/NAV (x)	0.60x	0.86x	1.04x	0.92x	0.82x
Dividend yield (%)	3.4%	1.3%	2.2%	3.9%	3.9%

Source: Company, KGI Research estimates

KGI's Ratings

The following table summarises the ratings convention used by KGI Securities in this and other research reports.

Rating	Definition
Outperform (OP)	We take a positive view on the stock. The stock is expected to outperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Neutral (N)	We take a neutral view on the stock. The stock is expected to perform in line with the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon.
Underperform (U)	We take a negative view on the stock. The stock is expected to underperform the expected total return of the KGI coverage universe in the related market over a 12-month investment horizon
Not Rated (NR)	The stock is not rated by KGI Securities.
Restricted (R)	KGI policy and/or applicable law regulations preclude certain types of communications, including an investment recommendation, during the course of KGI's engagement in an investment banking transaction and in certain other circumstances.

Disclaimer

This report is provided for information only and is not an offer or a solicitation to deal in securities or to enter into any legal relations, nor an advice or a recommendation with respect to such securities. This report is prepared for general circulation. It does not have regard to the specific investment objectives, financial situation and the particular needs of any recipient hereof. You should independently evaluate particular investments and consult an independent financial adviser before dealing in any securities mentioned in this report.

This report is confidential. This report may not be published, circulated, reproduced or distributed and/or redistributed in whole or in part by any recipient of this report to any other person without the prior written consent of KGI Securities. This report is not intended for distribution and/or redistribution, publication to or use by any person in any jurisdiction outside Singapore or any other jurisdiction as KGI Securities may determine in its absolute discretion, where the distribution, publication or use of this report would be contrary to applicable law or would subject KGI Securities and its connected persons (as defined in the Financial Advisers Act, Chapter 110 of Singapore) to any registration, licensing or other requirements within such jurisdiction.

The information or views in the report ("Information") has been obtained or derived from sources believed by KGI Securities to be reliable. However, KGI Securities makes no representation as to the accuracy or completeness of such sources or the Information and KGI Securities accepts no liability whatsoever for any loss or damage arising from the use of or reliance on the Information. KGI Securities and its connected persons may have issued other reports expressing views different from the Information and all views expressed in all reports of KGI Securities and its connected persons are subject to change without notice. KGI Securities reserves the right to act upon or use the Information at any time, including before its publication herein.

Except as otherwise indicated below, (1) KGI Securities, its connected persons and its officers, employees and representatives may, to the extent permitted by law, transact with, perform or provide broking, underwriting, corporate finance-related or other services for or solicit business from, the subject corporation(s) referred to in this report; (2) KGI Securities, its connected persons and its officers, employees and representatives may also, to the extent permitted by law, transact with, perform or provide broking or other services for or solicit business from, other persons in respect of dealings in the securities referred to in this report or other investments related thereto; and (3) the officers, employees and representatives of KGI Securities may also serve on the board of directors or in trustee positions with the subject corporation(s) referred to in this report. (All of the foregoing is hereafter referred to as the "Subject Business".)

However, as of the date of this report, neither KGI Securities nor its representative(s) who produced this report (each a "research analyst"), has any proprietary position or material interest in, and KGI Securities does not make any market in, the securities which are recommended in this report.

Each research analyst of KGI Securities who produced this report hereby certifies that (1) the views expressed in this report accurately reflect his/her personal views about all of the subject corporation(s) and securities in this report; (2) the report was produced independently by him/her; (3) he/she does not carry out, whether for himself/herself or on behalf of KGI Securities or any other person, any of the Subject Business involving any of the subject corporation(s) or securities referred to in this report; and (4) he/she has not received and will not receive any compensation that is directly or indirectly related or linked to the recommendations or views expressed in this report or to any sales, trading, dealing or corporate finance advisory services or transaction in respect of the securities in this report. However, the compensation received by each such research analyst is based upon various factors, including KGI Securities' total revenues, a portion of which are generated from KGI Securities' business of dealing in securities.