

PT Medco Energi Internasional Tbk

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CREDIT PROFILE

Corporate Rating *idA+/Stable*

Rated Issues

MTN V/2016 *idA+*
Shelf Registration Bond II *idA+*
Shelf Registration Bond I *idA+*

Rating Period

January 29, 2018 – January 1, 2019

Rating History

NOV 2017 *idA+/Stable*
MAY 2017 *idA+/Negative*
APR, SEP, NOV 2016 *idA+/Negative*
OCT 2015 *idA+/Stable*
JUN 2015 *idAA-/Negative*
2012 - 2014 *idAA-/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended

	Sep-2017	Dec-2016	Dec-2015	Dec-2014
	(Audited)	(Audited)	(Audited)	(Audited)
Total Adjusted Assets [USD Mn]	4,000.5	3,580.8	2,864.5	2,662.2
Total Adjusted Debt [USD Mn]	2,114.6	2,064.6	1,737.8	1,335.4
Total Adjusted Equity [USD Mn]	1,064.8	874.2	656.3	881.5
Total Sales [USD Mn]	597.5	590.0	582.3	702.1
EBITDA [USD Mn]	310.9	267.7	224.9	262.1
Net Income after MI [USD Mn]	164.3	184.8	(188.1)	5.2
EBITDA Margin [%]	52.0	45.4	38.6	37.3
Adjusted Debt/EBITDA [X]	*5.1	7.7	7.7	5.1
Adjusted Debt/Adjusted Equity [X]	2.0	2.4	2.6	1.5
FFO/Adjusted Debt [%]	*8.9	6.1	6.5	8.6
EBITDA/IFCCI [X]	3.2	2.7	2.8	3.3
USD Exchange Rate [IDR/USD]	13,492	13,436	13,795	12,440

FFO = EBITDA – IFCCI + Interest Income – Current Tax Expense

EBITDA = Operating Profit + Depreciation Expense + Amortization Expense

IFCCI = Gross Interest Expense + Other Financial Charges + Capitalized Interest; (FX Loss not included)

MI= Minority Interest *Annualized

The above ratios have been computed based on information from the company and published accounts. Where applicable, some items have been reclassified according to PEFINDO's definitions.

PEFINDO affirms "idA+" rating for PT Medco Energi Internasional Tbk

PEFINDO has affirmed its "idA+" ratings for PT Medco Energi Internasional Tbk (MEDC), its Shelf Registration Bond II Year 2016-2017, Medium Term Notes (MTN) V Year 2016 Phase I Seri A, and Shelf Registration Bond I Year 2012-2013, including the maturing second phase bond of IDR1.5 trillion on March 15, 2018, which will be repaid using the proceeds of several corporate actions, while MEDC's cash balance was USD364.8 million on September 30, 2017. The outlook for the corporate rating is "stable".

An obligor rated idA has a strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. However, the obligor is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher rated obligors.

The plus (+) sign in a particular rating indicates that it is relatively strong within the respective rating category.

The ratings reflect MEDC's diversified assets, favorable oil and gas reserves, and good operating management. Its aggressive capital structure, moderate cash flow protection measures, and inherent risks related to the commodity-based sectors constrain the ratings.

The outlook reflects our expectation on MEDC's corporate actions and initiatives in the near term on deleveraging its aggressive capital structure with expected adjusted debt to EBITDA ratio to less than 5x starting in 2018, despite potential higher debt at the end of 2017 with the consolidation of the power business since October 2017. The rating will be raised if MEDC significantly improves its capital structure to a moderate level, supported by its deleveraging plans and potential improvement in its profitability on the back of efficiency efforts and expected improved commodity prices, in addition to portfolio rationalization and strategic partnerships to finance its further development of PT Amman Mineral Nusa Tenggara (AMNT). The rating will be lowered if MEDC fails to execute its corporate actions and initiatives and/or it incurs higher than projected debt without being compensated by a stronger business profile, which could weaken its capital structure and cash flow protection measures on a sustained basis. The rating could also be under pressure if commodity prices decline, which could affect revenue and profitability.

MEDC is a publicly listed, integrated energy and natural resources company, with interests in mining and power generation along with its core business of oil and gas exploration and production (E&P) activities in Indonesia, the Middle East, North Africa, and the United States. During the first nine months of 2017 (9M2017), 99.6% of its revenue was generated from oil and gas, while the revenue contribution from service fees was insignificant at 0.4%. At the end of September 2017, its shareholders were Encore Energy (36.08%), PT Medco Duta (0.25%), PT Multifabrindo Gemilang (0.06%), Clio Capital Ventures Ltd (20.94%), Mitsubishi Corporation (10.09%), PT Medco Daya Abadi Lestari (5.04%), management (0.92%), and the public (26.62%). In October 2017, Mitsubishi Corporation divested its ownership to PT Medco Daya Abadi Lestari. Encore Energy is mostly owned by the Panigoro family through Encore International.

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