

PT Medco Energi Internasional Tbk

Analysts: Niken Indriarsih/Gifar Indra Sakti

Phone/Fax/E-mail: (62-21) 72782380 / 72782370 / niken.indriarsih@pefindo.co.id / gifar.sakti@pefindo.co.id

CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended				
		Sep-2017	Dec-2016	Dec-2015	Dec-2014	
		(Audited)	(Audited)	(Audited)	(Audited)	
Corporate Rating	<i>idA+/Stable</i>	4,000.5	3,580.8	2,864.5	2,662.2	
Rated Issues		2,114.6	2,064.6	1,737.8	1,335.4	
<i>Shelf Registration Bond III</i>	<i>idA+</i>	1,064.8	874.2	656.3	881.5	
<i>Shelf Registration Bond II</i>	<i>idA+</i>	597.5	590.0	582.3	702.1	
<i>Shelf Registration Bond I</i>	<i>idA+</i>	310.9	267.7	224.9	262.1	
<i>MTN V/2016</i>	<i>idA+</i>	164.3	184.8	(188.1)	5.2	
Rating Period		52.0	45.4	38.6	37.3	
<i>January 29, 2018 – January 1, 2019</i>		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
Rating History		EBITDA/IFCCI [X]	3.2	2.7	2.8	3.3
<i>NOV 2017</i>	<i>idA+/Stable</i>	USD Exchange Rate [IDR/USD]	13,492	13,436	13,795	12,440
<i>MAY 2017</i>	<i>idA+/Negative</i>					
<i>APR, SEP, NOV 2016</i>	<i>idA+/Negative</i>					
<i>OCT 2015</i>	<i>idA+/Stable</i>					
<i>JUN 2015</i>	<i>idAA-/Negative</i>					
<i>2012 - 2014</i>	<i>idAA-/Stable</i>					

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 assigns "idA+" rating for PT Medco Energi Internasional Tbk's Shelf Registration Bond III

PEFINDO has assigned its "idA+" rating to PT Medco Energi Internasional Tbk (MEDC)'s Shelf Registration Bond III Year 2018-2019 with a maximum amount of IDR5 trillion, the first phase of which is IDR500 billion. In line with the Company's plan to deleverage its aggressive capital structure through several corporate actions, the proceeds of the bond issuance will be used to refinance its maturing debt in the near to medium term. PEFINDO has also 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 Series A, and Shelf Registration Bond I Year 2012-2013. 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 the inherent risks in commodity-based sectors constrain the ratings.

The outlook reflects our expectations regarding MEDC's corporate actions and initiatives in the near term on deleveraging its aggressive capital structure, with its adjusted debt to EBITDA ratio expected at less than 5x starting in 2018, despite potential higher debt at the end of 2017 with the consolidation of its 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 the 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 debt than projected 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 alongside its core business of oil and gas exploration and production (E&P) 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 service fees accounted for the rest. 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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