

PT Medco Energi Internasional Tbk

Analysts: Niken Indriarsih/Wilson Soegianto

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

CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Sep-2018	Dec-2017	Dec-2016	Dec-2015
Corporate Rating	<i>idA+/Stable</i>		(Limited Review)	(Audited)	(Audited)	(Audited)
Rated Issues		Total Adjusted Assets [USD Mn]	5,109.5	5,093.8	3,580.8	2,864.5
MTN V/2016	<i>idA+</i>	Total Adjusted Debt [USD Mn]	2,818.8	2,664.3	2,064.6	1,737.8
Shelf Registration Bond III	<i>idA+</i>	Total Adjusted Equity [USD Mn]	1,353.3	1,335.6	874.2	656.3
Shelf Registration Bond II	<i>idA+</i>	Total Sales [USD Mn]	927.5	925.6	590.0	583.3
Shelf Registration Bond I	<i>idA+</i>	EBITDA [USD Mn]	450.2	434.3	267.8	220.1
		Net Income after MI [USD Mn]	(11.1)	127.1	184.8	(188.1)
Rating Period		EBITDA Margin [%]	48.5	46.9	45.4	37.7
January 14, 2019 – January 1, 2020		Adjusted Debt/EBITDA [X]	*4.7	6.1	7.7	7.9
		Adjusted Debt/Adjusted Equity [X]	2.1	2.0	2.4	2.6
Rating History		FFO/Adjusted Debt [%]	*8.4	7.0	6.1	6.3
JAN 2018	<i>idA+/Stable</i>	EBITDA/IFCCI [X]	2.8	3.0	2.7	2.7
NOV 2017	<i>idA+/Stable</i>	USD Exchange Rate [IDR/USD]	14,929	13,548	13,436	13,795
2016 - 2017	<i>idA+/Negative</i>					
OCT 2015	<i>idA+/Stable</i>					
JUN 2015	<i>idAA-/Negative</i>					
2012 - 2014	<i>idAA-/Stable</i>					

FFO = EBITDA – IFCCI + gross 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 mites 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 III Year 2018-2019, 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. 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 corporate rating reflects 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 rating.

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 if commodity prices decline, which could affect its revenue and/or profitability. The rating could also be lowered if 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. We have not incorporated MEDC's plan to acquire Ophir, a London based oil and gas exploration and production (E&P) company, into the rating as there is no firm offer of the acquisition and no information on the financing source for the acquisition. We will review the rating when MEDC makes a firm offer of the acquisition on January 28, 2019 at the latest.

MEDC is a publicly listed, integrated energy and natural resources company, with three main businesses in its core business of oil and gas E&P activities in Indonesia, the Middle East, North Africa, and the United States; power generation; and mining. During the first nine months of 2018, 81.7% of its revenue was generated from oil and gas, followed by revenue from power business at 18.2%, and other services at 0.2%. At the end of September 2018, its shareholders were PT Medco Daya Abadi Lestari (50.5%), Diamond Bridge Pte Ltd (21.6%), PT Medco Duta (0.2%), PT Multifabrindo Gemilang (0.1%), management (1.1%), and public (26.5%).

DISCLAIMER

PT Pemeringkat Efek Indonesia (PEFINDO) does not guarantee the accuracy, completeness, timeliness or availability of the contents of this report or publication. PEFINDO cannot be held liable for its use, its partial use, or its lack of use, in combination with other products or used solely, nor can it be held responsible for the result of its use or lack of its use in any investment or other kind of financial decision making on which this report or publication is based. In no event shall PEFINDO be held liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses including but not limited to lost profits and opportunity costs in connection with any use of the contents of this report or publication. Credit analyses, including ratings, and statements in this report or publication are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities or to make any investment decision. The contents cannot be a substitute for the skill, judgment and experience of its users, its management employees and/or clients in making investment or other business decisions. PEFINDO also assumes no obligation to update the content following publication in any form. PEFINDO does not act as fiduciary or an investment advisor. While PEFINDO has obtained information from sources it believes to be reliable, PEFINDO does not perform an audit and does not undertake due diligence or independent verification of any information used as the basis of and presented in this report or publication. PEFINDO keeps the activities of its analytical units separate from its business units to preserve independence and objectivity of its analytical processes and products. As a result, certain units of PEFINDO may have information that is not available to other units. PEFINDO has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. PEFINDO may receive compensation for its ratings and other analytical work, normally from issuers of securities. PEFINDO reserves the right to disseminate its opinions and analyses. PEFINDO's public ratings and analyses are made available on its website, <http://www.pefindo.com> (free of charge) and through other subscription-based services, and may be distributed through other means, including via PEFINDO publications and third party redistributors. Information in PEFINDO's website and its use fall under the restrictions and disclaimer stated above. Reproduction of the content of this report, in full or in part, is subject to written approval from PEFINDO.