

PT Medco Energi Internasional Tbk

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Sep-2018	Dec-2017	Dec-2016	Dec-2015
			(Limited Review)	(Audited)	(Audited)	(Audited)
Corporate Rating	<i>idA+/Stable</i>					
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
February 8, 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 2019	<i>idA+/Stable</i>	EBITDA/IFCCI [X]	2.8	3.0	2.7	2.7
JAN 2018	<i>idA+/Stable</i>	USD Exchange Rate [IDR/USD]	14,929	13,548	13,436	13,795
NOV 2017	<i>idA+/Stable</i>					
APR 2016 – MAY 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 ratios have been reclassified according to PEFINDO's definitions.

PEFINDO views no immediate impact on MEDC's rating in relation to MEDC's plan to acquire Ophir

PEFINDO has viewed no immediate impact on 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 in relation to MEDC's affirmation to acquire Ophir Energy plc, a London based oil and gas exploration and production (E&P) company. The outlook for the corporate rating is "**stable**".

On January 30, 2019, MEDC announced its proposed acquisition of Ophir with acquisition cost of GBP390.6 million or equivalent to USD513 million, which will be funded from existing cash resources and part of USD550 million credit facility from Standard Chartered Bank. The transaction is expected to complete in the first half of 2019. The acquisition is expected to diversify MEDC's assets with Ophir's operating assets in Southeast Asia and non-operating assets in Tanzania and Mexico, with additional production of 25 thousand barrels of oil equivalents per day (mboepd) to MEDC's production of 85 mboepd.

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 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 it 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.

MEDC is a publicly listed, integrated energy and natural resources company, with its core business in oil and gas E&P activities in Indonesia, the Middle East, North Africa, and the United States (US); and interests in power generation; support services; and mining. During the first nine months of 2018, 81.7% of its revenue was generated from oil and gas, followed by the 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 the public (26.5%).

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