

PT Medco Energi Internasional Tbk

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended				
		Sep-2019	Dec-2018	Dec-2017	Dec-2016	
		(Audited)	(Audited)	(Audited)	(Audited)	
Corporate Rating	<i>idA+/Negative</i>	6,148.3	5,185.4	5,093.8	3,580.8	
Rated Issues		3,364.7	2,854.8	2,664.3	2,064.6	
Shelf Registration Bond III	<i>idA+</i>	1,293.2	1,320.2	1,335.6	874.2	
Shelf Registration Bond II	<i>idA+</i>	1,015.9	1,218.3	905.1	561.9	
Rating Period		476.5	585.3	433.0	264.8	
May 18, 2020 – January 1, 2021		19.3	(51.3)	127.1	184.8	
Rating History		46.9	48.0	47.8	47.1	
JAN 2020	<i>idA+/Stable</i>	Adjusted Debt/EBITDA [X]	*5.3	4.9	6.2	7.8
JAN 2019	<i>idA+/Stable</i>	Adjusted Debt/Adjusted Equity [X]	2.6	2.2	2.0	2.4
JAN 2018	<i>idA+/Stable</i>	FFO/Adjusted Debt [%]	*6.0	8.2	7.1	6.1
NOV 2017	<i>idA+/Stable</i>	EBITDA/IFCCI [X]	2.5	2.7	3.0	2.7
APR 2016 – MAY 2017	<i>idA+/Negative</i>	USD Exchange Rate [IDR/USD]	14,174	14,481	13,548	13,436
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+" ratings for PT Medco Energi Internasional Tbk and its bonds, revises outlook to negative

PEFINDO has affirmed its "idA+" ratings for PT Medco Energi Internasional Tbk (MEDC), its Shelf Registration Bond III Year 2018-2019, and Shelf Registration Bond II Year 2016-2017. However, we have revised the Company's corporate rating outlook to "negative" from "stable" in anticipation of longer than expected low oil price condition, which could reduce projected EBITDA and weaken its capital structure and cash flow protection measures. The Company is taking several initiatives to response the situation, such as efficiency efforts in capital expenditure and operating expenses as well as lower production volume guidance in anticipation of lower demand with expected slower economic growth. On the other side, PEFINDO has no issue on MEDC's liquidity position as several initiatives have been done to secure the payment on its maturing debt instruments.

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 indicates that the rating is relatively strong within the respective rating category.

The rating reflects MEDC's diversified assets, favorable oil and gas reserves, and good operating management. The rating is constrained by its moderate capital structure, moderate cash flow protection measures, and inherent risks related to the commodity-based sectors.

The rating will be lowered if MEDC fails to execute its corporate actions and initiatives to maintain profitability, and/or 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 the commodity prices remain low in the medium term or continue to decline, which could adversely affect its revenue and profitability. The outlook will be revised to stable if MEDC executes its deleveraging plans, supported by 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).

MEDC is a publicly listed, integrated energy and natural resources company, with three main businesses in its core business of oil and gas exploration and production (E&P) activities in Indonesia, the Middle East, North Africa, and Southeast Asia; power generation; and mining. During the first nine months of 2019 (9M2019), 83.9% of its revenue was generated from oil and gas, followed by the power business at 15.9%, and other services at 0.2%. At the end of September 2019, 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 (1.3%), and public (26.3%).

DISCLAIMER

The rating contained in this report or publication is the opinion of PT Pemeringkat Efek Indonesia (PEFINDO) given based on the rating result on the date the rating was made. The rating is a forward-looking opinion regarding the rated party's capability to meet its financial obligations fully and on time, based on assumptions made at the time of rating. The rating is not a recommendation for investors to make investment decisions (whether the decision is to buy, sell, or hold any debt securities based on or related to the rating or other investment decisions) and/or an opinion on the fairness value of debt securities and/or the value of the entity assigned a rating by PEFINDO. All the data and information needed in the rating process are obtained from the party requesting the rating, which are considered reliable in conveying the accuracy and correctness of the data and information, as well as from other sources deemed reliable. PEFINDO does not conduct audits, due diligence, or independent verifications of every information and data received and used as basis in the rating process. PEFINDO does not take any responsibility for the truth, completeness, timeliness, and accuracy of the information and data referred to. The accuracy and correctness of the information and data are fully the responsibility of the parties providing them. PEFINDO and every of its member of the Board of Directors, Commissioners, Shareholders and Employees are not responsible to any party for losses, costs and expenses suffered or that arise as a result of the use of the contents and/or information in this rating report or publication, either directly or indirectly. PEFINDO generally receives fees for its rating services from parties who request the ratings, and PEFINDO discloses its rating fees prior to the rating assignment. PEFINDO has a commitment in the form of policies and procedures to maintain objectivity, integrity, and independence in the rating process. PEFINDO also has a "Code of Conduct" to avoid conflicts of interest in the rating process. Ratings may change in the future due to events that were not anticipated at the time they were first assigned. PEFINDO has the right to withdraw ratings if the data and information received are determined to be inadequate and/or the rated company does not fulfill its obligations to PEFINDO. For ratings that received approval for publication from the rated party, PEFINDO has the right to publish the ratings and analysis in its reports or publication, and publish the results of the review of the published ratings, both periodically and specifically in case there are material facts or important events that could affect the previous ratings. Reproduction of the contents of this publication, in full or in part, requires written approval from PEFINDO. PEFINDO is not responsible for publications by other parties of contents related to the ratings given by PEFINDO.