Press Release

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PT Medco Energi Internasional Tbk

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CREDIT PROFILE

Corporate Rating *idA+/Stable*

Rated Issues

Shelf Registration Bond III	*idA+*
Shelf Registration Bond II	*idA+*

Rating Period

January 11, 2021 – January 1, 2022

Rating History

MAY 2020	*idA+/Negative*
JAN 2020	*idA+/Stable*
JAN 2019	*idA+/Stable*
JAN 2018	*idA+/Stable*
NOV 2017	*idA+/Stable*
APR 2016 – MAY 2017	*idA+/Negative*
OCT 2015	*idA+/Stable*
JUN 2015	*idAA-/Negative*
2012 - 2014	*idAA-/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended	**Sep-2020** (Unaudited)	**Dec-2019** (Audited)	**Dec-2018** (Audited)	**Dec-2017** (Audited)
Total Adjusted Assets [USD Mn]	6,293.6	5,939.5	5,185.4	5,093.8
Total Adjusted Debt [USD Mn]	3,179.8	3,237.3	2,854.8	2,664.3
Total Adjusted Equity [USD Mn]	1,294.7	1,289.2	1,320.2	1,335.6
Total Sales [USD Mn]	792.9	1,438.3	1,218.3	905.1
EBITDA [USD Mn]	421.6	660.1	585.3	433.0
Net Income after MI [USD Mn]	(130.1)	(27.3)	(51.3)	127.1
EBITDA Margin [%]	53.2	45.9	48.0	47.8
Adjusted Debt/EBITDA [X]	*5.7	4.9	4.9	6.2
Adjusted Debt/Adjusted Equity [X]	2.5	2.5	2.2	2.0
FFO/Adjusted Debt [%]	*4.9	6.9	8.2	7.1
EBITDA/IFCCI [X]	2.1	2.6	2.7	3.0
USD Exchange Rate [IDR/USD]	14,918	13,901	14,481	13,548

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.

PT Medco Energi Internasional Tbk rated "idA+", outlook revised to stable

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. Outlook for the corporate rating is revised to **"stable"** from **"negative"** following the recovery trend in the commodity prices particularly oil and gas prices after a significant drop in the second quarter of 2020 amid the rise of the COVID-19 pandemic. We are of the view that this trend should improve MEDC's projected EBITDA and strengthen its capital structure and cash flow protection measures. The initiatives taken in anticipation to the impact of COVID-19 pandemic that have been set by the Company has demonstrated debt reduction with relatively stable profitability amid the unfavorable market condition.

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 may be raised if MEDC significantly improves its capital structure as reflected by debt to EBITDA at less than 3.5x on a sustainable basis, 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. The rating could 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 substantially and on a prolonged basis, which could affect its revenue and profitability.

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 2020 (9M2020), 85.6% of its revenue was generated from oil and gas, followed by the power business at 14.1%, and other services at 0.3%. At the end of September 2020, its shareholders were PT Medco Daya Abadi Lestari (50.6%), Diamond Bridge Pte Ltd (21.6%), PT Medco Duta (0.2%), management (1.3%), and public (26.3%).