

PT Medco Energi Internasional Tbk

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended				
		Sep-2020	Dec-2019	Dec-2018	Dec-2017	
		(Unaudited)	(Audited)	(Audited)	(Audited)	
Corporate Rating	<i>idA+/Stable</i>	Total Adjusted Assets [USD Mn]	6,293.6	5,939.5	5,185.4	5,093.8
Rated Issues		Total Adjusted Debt [USD Mn]	3,179.8	3,237.3	2,854.8	2,664.3
Shelf Registration Bond III	<i>idA+</i>	Total Adjusted Equity [USD Mn]	1,294.7	1,289.2	1,320.2	1,335.6
Shelf Registration Bond II	<i>idA+</i>	Total Sales [USD Mn]	792.9	1,438.3	1,218.3	905.1
Rating Period		EBITDA [USD Mn]	421.6	660.1	585.3	433.0
January 11, 2021 – January 1, 2022		Net Income after MI [USD Mn]	(130.1)	(27.3)	(51.3)	127.1
Rating History		EBITDA Margin [%]	53.2	45.9	48.0	47.8
MAY 2020	<i>idA+/Negative</i>	Adjusted Debt/EBITDA [X]	*5.7	4.9	4.9	6.2
JAN 2020	<i>idA+/Stable</i>	Adjusted Debt/Adjusted Equity [X]	2.5	2.5	2.2	2.0
JAN 2019	<i>idA+/Stable</i>	FFO/Adjusted Debt [%]	*4.9	6.9	8.2	7.1
JAN 2018	<i>idA+/Stable</i>	EBITDA/IFCCI [X]	2.1	2.6	2.7	3.0
NOV 2017	<i>idA+/Stable</i>	USD Exchange Rate [IDR/USD]	14,918	13,901	14,481	13,548
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 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%).

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.