

PT Medco Energi Internasional Tbk

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended				
		Sep-2021	Dec-2020	Dec-2019	Dec-2018	
		(Unaudited)	(Audited)	(Audited)	(Audited)	
Corporate Rating	<i>idA+/Positive</i>					
Rated Issues		Total Adjusted Assets [USD Mn]	5,240.5	5,815.7	5,916.3	5,175.6
Shelf Registration Bond IV	<i>idA+</i>	Total Adjusted Debt [USD Mn]	2,771.6	2,948.7	3,237.3	2,854.8
Shelf Registration Bond III	<i>idA+</i>	Total Adjusted Equity [USD Mn]	1,195.6	1,128.3	1,263.6	1,310.5
Shelf Registration Bond II	<i>idA+</i>	Total Sales [USD Mn]	955.9	1,099.9	1,381.1	1,138.3
Rating Period		EBITDA [USD Mn]	508.2	490.6	615.9	518.1
December 22, 2021 – June 1, 2022		Net Income after MI [USD Mn]	56.1	(192.8)	(43.3)	(56.0)
Rating History		EBITDA Margin [%]	53.2	44.6	44.6	45.5
OCT 2021	<i>idA+/Stable</i>	Adjusted Debt/EBITDA [X]	*4.1	6.0	5.3	5.5
JUN 2021	<i>idA+/Stable</i>	Adjusted Debt/Adjusted Equity [X]	2.3	2.6	2.6	2.2
JAN 2021	<i>idA+/Stable</i>	FFO/Adjusted Debt [%]	*8.8	2.2	6.4	6.7
MAY 2020	<i>idA+/Negative</i>	EBITDA/IFCCI [X]	3.0	1.7	2.7	2.7
NOV 2017 – JAN 2020	<i>idA+/Stable</i>	USD Exchange Rate [IDR/USD]	14,321	14,105	13,901	14,481
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's outlook revised to positive following acquisition plan

PEFINDO has revised the outlook of PT Medco Energi Internasional Tbk (MEDC) to **"positive"** from "stable" following MEDC's plan to acquire the entire shares issued by ConocoPhillips Indonesia Holding Ltd. (CIHL), which is currently owned by Phillips International Investment Inc., a subsidiary of ConocoPhillips. The corporate action is expected to materialize in March 2022 with acquisition cost is estimated at around USD1.355 billion, funded approximately by 63% debt and 37% equity in the form of internal cash and right issue. We expect the acquisition will result into a stronger business position as the assets have already operated and generated strong EBITDA and also create better synergy among MEDC's oil and gas assets. This strategic action will also improve MEDC's financial profile as reflected by the projected debt to EBITDA ratio at around 3.2x in 2022-2024 and projected debt coverage of 16% in the same period, compared to the historical figures of above 4x and below 10%, respectively. Our projection is using the assumption of double-digit revenue growth post the acquisition, moderate debt level, and global oil price to remain above USD55/barrel in the short term. At the same time, PEFINDO had affirmed MEDC's corporate rating and its Shelf Registration Bond IV Year 2021-2022, Shelf Registration Bond III Year 2018-2019, and Shelf Registration Bond II Year 2016-2017 at **"idA+"**.

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 raised if the Company is able to realize its acquisition process on schedule and achieve its targeted profitability and improve its capital structure. This should be bolstered by continuous efficiency effort in the back of the deleveraging plan. The outlook may be revised to stable if MEDC fails to complete the acquisition process, which resulted in the inability to achieve higher profitability and incurred debt related to the acquisition will be used to refinance its existing debt.

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. In 9M2021, 80.4% of its revenue was generated from oil and gas, followed by the power business at 10.3%, trading at 8.3%, and others at 1.0%. At the end of September 2021, its shareholders were PT Medco Daya Abadi Lestari (51.6%), Diamond Bridge Pte Ltd (21.5%), PT Medco Duta (0.2%), management (0.6%), and the public (26.1%).

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.