PEFINDO
CREDIT RATING AGENCY

Press Release

June 13, 2022

PT Medco Energi Internasional Tbk

Credit Ratings

General Obligation (GO)	idAA-/Stable
SR Bond IV	idAA-
SR Bond III	idAA-
SR Bond II	idAA-

Rating Period

June 10, 2022 – June 1, 2023

Published Rating History

DEC 2021	idA+/Positive
OCT 2021	idA+/Stable
JUN 2021	idA+/Stable
JAN 2021	idA+/Stable
MAY 2020	idA+/Negative
NOV 2017 – JAN 2020	idA+/Stable
APR 2016 – MAY 2017	idA+/Negative
OCT 2015	idA+/Stable
JUN 2015	idAA-/Negative
2012-2014	idAA-/Stable

PT Medco Energi Internasional Tbk (MEDC) and its outstanding bonds ratings raised to idAA- with stable outlook. The ratings upgrade reflects our expectation that MEDC's financial leverage to improve as measured by projected debt to EBITDA ratio at below 3x in the near to medium term from 4.6x in 2021, as a result of Corridor PSC's full year consolidation aside of enjoying oil price increase, while maintaining good debt management and debt-funded capital expenditures (capex). We view Corridor PSC will strengthen MEDC's asset portfolios with energy mix to 78% from gas from currently 64%, with additional annual production of 60-70 thousand barrels of oil equivalent per day (mboepd). Corridor PSC's long-term fixed price gas sales agreements will contribute a stable EBITDA generation against oil price volatility. We project its debt coverage ratio to be at a strong level in the near to medium term with projected funds from operations (FFO) to debt ratio at 20%, improves from 7.9% in 2021, includes assumption of oil price at USD90/barrel in the remaining of 2022 and gradually downward in 2023-2025, and capex of around USD275-350 million per year in 2022-2025 for oil and gas segment.

The rating reflects MEDC's diversified assets, favorable oil and gas reserves, and good operating management. However, the rating is constrained by its moderate financial profile and inherent risks related to the commodity-based sectors and exposure to energy transition risk.

The rating may be raised if the Company's continuous deleveraging efforts will result to a conservative financial profile. This should be bolstered by the endeavor to improve its reserve life while maintaining financial leverage (excluding power segment) at below 2x. The rating may be downgraded if it incurs higher than projected debt without being compensated by a stronger business profile, which may weaken its financial profile on a sustained basis. The rating may also be under pressure if commodity prices significantly below our anticipation, which may adversely 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. 82.4% of its revenue was generated from oil and gas in 2021, followed by the power business at 9.2%, trading 7.2%, and others 1.1%. At the end of 2021, its shareholders consisted of PT Medco Daya Abadi Lestari (51.88%), Diamond Bridge Pte Ltd (21.62%), PT Medco Duta (0.12%), PT Multifabrindo Gemilang (0.03%), management (0.68%), and the public (25.67%).

Rating Definition

An obligor rated idAA differs from the highest-rated obligors only to a small degree, and has a very strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. The minus (-) sign indicates that the rating is relatively weak within its category.

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Financial Highlights

As of/for the year ended Consolidated Figure	Dec-2021 (Audited)	Dec-2020 (Audited)	Dec-2019 (Audited)	Dec-2018 (Audited)
Total adjusted assets [USD mn]	5,644.8	5,815.7	5,916.3	5,175.6
Total adjusted debt [USD mn]	3,230.2	2,948.7	3,237.3	2,854.8
Total adjusted equity [USD mn]	1,190.3	1,128.3	1,263.6	1,310.5
Total sales [USD mn]	1,323.2	1,099.9	1,381.1	1,138.3
EBITDA [USD mn]	708.2	490.6	615.9	518.1
Net income after MI [USD mn]	38.2	(192.8)	(43.3)	(56.0)
EBITDA margin [%]	53.5	44.6	44.6	45.5
Adjusted debt/EBITDA [X]	4.6	6.0	5.3	5.5
Adjusted debt/adjusted equity [X]	2.7	2.6	2.6	2.2
FFO/adjusted debt [%]	7.9	2.2	6.4	6.7
EBITDA/IFCCI [X]	3.1	1.7	2.7	2.7
USD exchange rate [IDR/USD]	14,269	14,105	13,901	14,481

FFO = EBITDA – IFCCI + 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 items have been reclassified according to PEFINDO's definitions.