

Pertamina (PERT IJ)

FUNDAMENTAL VIEW ¹

As of 12 Dec 2023

- Pertamina enjoys very strong linkages with the Government of Indonesia (Gol) and is assured of extraordinary support in times of distress.
- Slightly higher YoY FY24E Brent crude prices could lift upstream margins and overall EBITDA (given the upstream business accounts for >80% of consolidated EBITDA).
- Although leverage typically remains low, Pertamina incurs large capex spending that could pressure its free cash flow generation.
- High persisting dividend outflows could restrain free cash flow improvements.

RISKS & CATALYSTS

As of 12 Dec 2023

- Pertamina's profitability is materially affected by volatility in oil & gas prices. Prolonged periods of low oil prices could hurt upstream earnings that form the bulk of overall EBITDA (>80%).
- As retail prices of certain fuel products are regulated, realized prices may be below its cost of sales.
- Pertamina has to initially absorb the shortfall between the regulated retail price and the cost of producing and distributing certain fuel products. If the price of crude oil exceeds the price ceiling set by the Gol, the company may receive insufficient subsidy reimbursements.
- Capex typically remains elevated and which pressurizes its free cash flow generation.

KEY METRICS

As of 12 Dec 2023

\$ MN	FY18	FY19	FY20	FY21	FY22
Debt to Book Cap	40.0%	36.2%	38.5%	41.2%	42.1%
Net Debt to Book Cap	21.5%	22.4%	18.9%	21.9%	12.5%
Debt/Total Equity	66.6%	56.8%	62.5%	70.0%	72.7%
Debt/Total Assets	30.5%	26.4%	28.3%	29.9%	30.8%
Gross Leverage	2.1x	2.2x	2.4x	2.5x	1.9x
Net Leverage	1.2x	1.3x	1.2x	1.3x	0.6x
Interest Coverage	10.3x	8.1x	7.8x	8.7x	11.2x
EBITDA Margin	15.9%	14.9%	19.9%	16.0%	16.7%

BUSINESS DESCRIPTION

As of 12 Dec 2023

- Pertamina is involved in a broad range of upstream and downstream oil, gas, geothermal and petrochemical operations.
- In the upstream sector, it engages in the exploration, development and production and supply of crude oil, natural gas and geothermal energy.
- As for the downstream sector, the company carries out refining, marketing and distribution of oil, gas, fuel products and petrochemical and other non-fuel products.
- As of 31 December 2022, its total proved oil reserves stood at ~1,289 mmbbl (mn barrels of oil) and gas reserves stood at ~817 mmboe (mn barrels of oil equivalent). Its average daily oil and gas production was ~967,000 boe per day in FY22. The company owns and operates 6 refineries in Indonesia.
- Under the Public Service Obligation (PSO) mandate, Pertamina is responsible for providing certain grades of motor gasoline, automotive diesel oil, kerosene and LPG at subsidized prices. The subsidized retail price is often times lower than the cost of production, creating a shortfall, for which it receives reimbursements from the Gol.

Copyright CreditSights 2023. CreditSights Risk Products, including its Credit Quality Scores and related information are provided by CreditSights Analytics, LLC. CreditSights Limited is authorized and regulated by the Financial Conduct Authority (FCA).

This product is not intended for use in the UK by retail clients, as defined by the FCA. Information is correct as of the date(s) shown above, and may have changed subsequent to such date(s). Please see page 2 for important disclosures and limitations on the information presented above.

DISCLAIMER

Important Notice

This report ("Report") is for informational purposes only. Neither the information contained in this Report, nor any opinion expressed therein is intended as an offer or solicitation with respect to the purchase or sale of any security or as personalized investment advice. This Report is not intended to be distributed to anyone in any jurisdiction where the receipt of this Report by such person would be legally or regulatorily impermissible and any such distribution has not been authorized by CreditSights.

Except as expressly set forth herein, user shall not transfer, sell, license, sublicense, publish, transmit, redistribute or disseminate this Report or any other CreditSights research reports or any summary or portion thereof (collectively, the "Products") in any manner or in any media or release or otherwise provide access to the Products or any portion thereof to any other person without the prior written consent of CreditSights. Any such unauthorized distribution of such material is prohibited by law and can result in prosecution. In addition, user shall not alter, modify, adapt or create derivative works based on the Products or any portion thereof.

All proprietary rights in relation to the Products (including, without limitation, all copyrights, trademarks, trade secrets and other intellectual property rights) are and remain the sole and exclusive property of CreditSights and/or its third party licensors and nothing herein shall transfer any right to or interest in the Products, in any data included therein or component thereof, or in any proprietary rights pertaining thereto.

The Products contain information and data which are compiled from sources believed by CreditSights to be accurate and reliable and are presented for general information use only. However, CreditSights disclaims any and all liability with respect to the truth, accuracy or completeness of the information and data conveyed. Accordingly, the products are being provided to user on an "as is" basis, exclusive of any express or implied warranty or representation of any kind, including as to the accuracy, timeliness, completeness, or merchantability or fitness for any particular purpose of the Products and of any such information or data. Furthermore, CreditSights does not warrant that the Products will meet any user's requirements.

Investing in fixed income securities may involve certain risks, including the credit quality of individual issuers, possible prepayments, market or economic developments, inflation, and yield and price changes due to fluctuations in interest rates. When interest rates go up, bond prices typically drop, and vice versa; this effect can be more pronounced with longer term securities. Any fixed income security sold or redeemed prior to maturity may be subject to a loss.

Neither CreditSights nor its affiliates ("CreditSights Parties") will be responsible for or have any liability for any injuries or damages, including injuries or damages that may result from (i) the reliance of any person upon any information or opinion provided or (ii) any errors, inaccuracies, omissions in, or any other failure of, the Products, from whatever cause. To the fullest extent provided by law, CreditSights shall not be liable for direct, indirect or incidental, special or consequential damages resulting from the information in the Report and/or from decisions taken or not taken by an investor on the basis of such information, regardless of whether such damages were foreseeable or unforeseeable.

Any statements that are not factual in nature constitute only current opinions, which are subject to change without notice. CreditSights does not recommend the purchase or sale of financial products or securities, and does not give investment advice and does not provide any legal, auditing, accounting, appraisal, valuation or actuarial services. Recommendations made in a report may not be suitable for all investors and do not take into account any individual user's investment risk tolerance, return objectives, asset allocation, investment horizon, or any other factors or constraints. The Products are created for use by CreditSights clients and any other recipient who receives this report will be receiving it after it has been distributed to such clients, who may have traded based on information contained in the report; however, the Products are intended only to provide general and preliminary information to investors and shall not be construed as the basis for any investment decision. CreditSights may issue or may have issued other reports that are inconsistent with or may reach different conclusions than those represented in this Report, and all opinions are reflective of judgments made on the original date of publication. CreditSights is under no obligation to ensure that other reports are brought to the attention of any recipient of the Products.

Information included in any report that includes analysis of documents, agreements, controversies, or proceedings is for informational purposes only and does not constitute legal advice. To the extent the Products contain summaries of other documents, such as indentures, reference is made to such other documents for a complete statement of the terms thereof. No attorney client relationship is created between any reader and CreditSights as a result of the publication of any research report, or any response provided by CreditSights (including, but not limited to, the ask an analyst feature or any other analyst interaction) or as the result of the payment to CreditSights of subscription fees. The material included in a report may not reflect the most current legal developments.

Certain data appearing in this Report is owned by, and used under license from, certain third parties. Please see "Legal Notices" at www.creditsights.com for such information. Terms and conditions are also available at Terms & Conditions.

CreditSights, Inc. is an independent investment research provider whose affiliate, CreditSights Ltd, is authorized and regulated by the Financial Conduct Authority ("FCA"). CreditSights Products are not intended for use in the UK by Retail Customers, as defined by the FCA. CreditSights Risk Products, including its Credit Quality Scores and related information, to the extent incorporated in any Products, are provided by CreditSights Analytics, LLC, an affiliate of CreditSights.

If you have any questions regarding the contents of this Report, please contact CreditSights at legal@creditsights.com.