

PT PP Properti Tbk

Company rating *ii*BBB+/Stable

Rated Issues -

Rating Period

April 18, 2022 – May 1, 2023

"Obligor with an *ii*BBB rating have an adequate level of certainty to honor the financial obligations. However, this certainty is more likely to diminish in the future than the higher rating categories."

The positive sign (+) indicates that the rating given is closer to the rating scale above it.

Kredit Rating Indonesia assigns '*ii*BBB+' rating to PT PP Properti Tbk with "Stable" outlook

Kredit Rating Indonesia (KRI) assigns a Company Rating of '*ii*BBB+' for PT PP Properti Tbk (PPRO or the Company) with "Stable" outlook. The rating reflects PPRO's moderate asset quality, diversified property location and strong parent support. The rating is constrained by the company's high financial leverage and weak cash flow protection.

PPRO operates in the property sector primarily in Indonesia. The company engaged in property and realty development business focusing on 3 segments, namely residential (apartment and landed house), mall, and hotel. The Company was incorporated in 2013 and went public in 2016. The Company's shareholder composition as of December 31, 2021, was PT PP (Persero) Tbk (65.96%), Public (34.97%) and Yayasan Kesejahteraan Karyawan PTPP (0.07%).

PPRO's properties are spread across several regions in Indonesia such as Pekanbaru, Cilegon, Serpong, Jakarta, Bogor, Bekasi, Bandung, Semarang, Yogyakarta, Surabaya Malang, Balikpapan, and Lombok. As a property company that focuses on high-rise and landed houses, the company prefers areas that have potential for infrastructure development, such as toll roads and train stations, as well as near educational centers and industrial areas. We see a strong support from the majority shareholder of the Company, namely PT PP (Persero) Tbk by providing shareholder loan and capital injections for PPRO's business development.

The company's leverage level shows a weakening trend as the Debt-to-Equity ratio rose from 1.04x in 2018 to 2.86x in FY21. The increase in the company's debt is one of the main causes of the deterioration of PPRO's capital structure. Meanwhile, the PPRO interest coverage ratio weakened further as the EBITDA/Interest ratio fell from 1.43x in FY18 to 0.19x in FY21.

The ratings could be raised if PPRO has successfully implemented the strategy to generate revenue and reduce debt by recycling assets for several projects to generate more income, divesting affiliates, and selling the company's land bank. On the other hand, the rating could be lowered if the Company's profitability margins are significantly below target, and/or if the Company's debt is higher than projected.

PPRO Financial Results Highlights (Consolidated)

As of/For the year ended	Dec 2021 (Audited)	Dec 2020 (Audited)	Dec 2019 (Audited)	Dec 2018 (Audited)
Total adjusted assets (IDR, Bn)	21.052,85	18.462,77	17.874,68	16.441,71
Total adjusted debt (IDR, Bn)	11.253,21	9.618,94	8.002,74	5.438,50
Total adjusted equity (IDR, Bn)	3.928,98	3.883,36	3.872,32	5.238,33
Total sales (IDR, Bn)	862,46	2.075,24	1.624,17	2.556,17
EBITDA (IDR, Bn)	197,34	357,59	444,19	601,97
Net income After MI (IDR, Bn)	21,02	126,50	247,28	496,79
EBITDA Margin (%)	22,88	17,23	27,35	23,55
Adjusted debt/EBITDA (x)	57,03	26,90	18,02	9,03
Adjusted debt/adjusted equity (x)	2,86	2,48	2,07	1,04
EBITDA/IFCCI (x)	0,19	0,42	0,68	1,43
FFO/Total adjusted debt (%)	(7,26)	(5,08)	(2,62)	3,24
USD Exchange rate (IDR/USD)	14.572	14.105	13.901	14.481

Analysts : Furqon Abrory Samara (Furqon.Samara@kreditratingindonesia.com)
Gromy Pilipi Pranata Purba (Gromy.Purba@kreditratingindonesia.com)

DISCLAIMER

PT Kredit Rating Indonesia (KRI) does not represent or warrant or guarantee the accuracy, completeness, timeliness or availability of the contents of this report or publication. KRI does not perform an audit and does not undertake due diligence or independent verification of any information used as the basis of and presented in this report or publication. Although the information upon which KRI rating report are based, and any other contents provide in this rating report is obtained by KRI from sources which KRI believes to be reliable.

KRI will be held harmless against any responsibility arising from its use, its partial use, or its lack of use, in combination with other products or used solely, nor can it be held responsible for the result of its use or lack of its use in any investment or other kind of financial decision making on which this report or publication is based. The issuance of a solicited or unsolicited rating report does not supply financial, legal, tax or investment consultancy. The rating report is not an opinion as to the value of securities, therefore KRI is not responsible for any credit, loan or investment decision, damages or other losses resulting from the reliance upon or use of this report.

In no event shall KRI be held liable for any direct, indirect, incidental, exemplary, compensatory, punitive, special or consequential damages, costs, expenses, legal fees, or losses including but not limited to lost profits and opportunity costs in connection with any use of the contents of this rating report or publication.

Credit analyses, including ratings, and statements in this report or publication are statements of opinion as of the date they are expressed and not statements of fact or recommendations to purchase, hold or sell any securities or to make any investment decision. Therefore, this report may not reflect any event or circumstances which occur after the date of this report.

KRI also assumes no obligation to update the content following publication in any form. KRI does not act as fiduciary or an investment advisor. KRI keeps the activities of its analytical units separate from its business units to preserve independence and objectivity of its analytical process and products. As a result, certain units of KRI may have information that is not available to other units. KRI has established policies and procedures to maintain the confidentiality of certain non-public information received in connection with each analytical process. KRI may receive compensation for its ratings and other analytical work, normally from issuers of securities. KRI reserves the right to disseminate its opinions and analyses. KRI's public ratings and analyses are made available on its website, <http://www.kreditratingindonesia.com> (free of charge) and through other subscription based services, and may be distributed through other means, including via KRI publications and third party redistributors. Information in KRI's website and its use fall under the restrictions and disclaimer stated above. No part of KRI's website, the content of this report, may be reproduced or transmitted by any means, electronic or non-electronic whether in full or in part, will be subjected to written approval from KRI.