

PT PP Properti Tbk

Company Rating

*ir*BBB-/Negative

Rated Issue

Medium Term Notes XV PP Properti Tahun 2022

*ir*BBB-

Rating Period

March 27, 2024 – February 1, 2025

Rating History

April, 2022

*ir*BBB+/Stable

"Debt Securities with *ir*BBB rating has an adequate level of certainty to honor its financial obligations. However, this certainty is more likely to diminish in the future than with the higher rating categories."

The minus sign (-) indicates that the rating is still higher than the rating category below, although it is closer to the lower rating than it is to the higher rating category.

Kredit Rating Indonesia lowers the ratings for PT PP Properti Tbk and its Medium Term Notes XV PP Properti Tahun 2022 to *ir*BBB-. The outlook for the company rating is Negative.

Kredit Rating Indonesia (KRI) has downgraded the ratings for PT PP Properti Tbk (PPRO or the Company) along with its Medium Term Notes XV PP Properti Tahun 2022 to *ir*BBB-. The rating for PPRO's Medium Term Notes is no longer associated with the corporate rating of PT PP (Persero) Tbk, the guarantor, due to PT PP (Persero) Tbk limited capacity to cover the guaranteed debt obligations. The outlook for the company's rating has been set to negative. This rating action reflects the company's declining profitability, high financial leverage, and inadequate cash flow protection. The high portion of shareholder loans unfortunately results in a low possibility of support from its parent company in times of financial distress.

PPRO witnessed a downturn in its financial performance, with revenue declining sharply from IDR1.70 trillion in FY22 to IDR371.05 billion by 3Q23. This decline was mirrored in the company's profitability, as evidenced by a reduction in the EBITDA Margin from 13.30% in 2022 to 9.08% in 3Q23. The uncertainty of the schedule and success level of asset divestiture to support the company's revenue has rendered the financial profile unsustainable. Concurrently, PPRO's total debt profile experienced significant fluctuations, escalating from IDR5.44 trillion in 2018 to a peak of IDR10.85 trillion in FY22, before moderating to IDR8.96 trillion by the end of September 2023.

These financial movements have impacted PPRO's leverage situation adversely. The Debt-to-Equity ratio, a key indicator of leverage, worsened, climbing from 1.04x in 2018 to 2.32x in 3Q23. This trend is further highlighted by the company's deteriorating interest coverage capacity, with the EBITDA/Interest ratio decreasing from 1.39x in FY18 to a precarious 0.07x in 3Q23, underscoring the challenges PPRO faces in managing its debt obligations amidst fluctuating earnings. The company's failure to execute its asset divestiture plan in the near term will exacerbate its financial condition and impact its ability to repay the medium-term notes in the future.

Operating primarily within Indonesia's property sector, PPRO specializes in property and realty development, with a focus on three main segments: residential properties, including apartments and landed houses; malls; and hotels. Established in 2013, the company made its public debut in 2016. As of September 30, 2023, PPRO's shareholder structure consisted of PT PP (Persero) Tbk, holding a majority stake of 64.96%, followed by public investors with 34.97%, and the Yayasan Kesejahteraan Karyawan PTPP, which held a minor stake of 0.07%.

PPRO's property portfolio is diversely located across key regions in Indonesia, including Jakarta, Depok, Bogor, Bekasi, Bandung, Semarang, Yogyakarta, Surabaya, Malang, Pekanbaru, Cilegon, Serpong, Balikpapan, and Lombok. Specializing in both high-rise and landed houses, the company strategically selects locations with promising infrastructure developments, such as proximity to toll roads and train stations, alongside educational centers and industrial zones. The company benefits from the support of its majority shareholder, PT PP (Persero) Tbk, which aids in PPRO's business expansion through shareholder loans and business synergy.

KREDIT RATING INDONESIA

October 21, 2024

The rating could be lowered if PPRO's profitability margins fall substantially below its targets, if the company's cash flow deteriorates due to postponed asset divestiture schedules, or if its debt escalates beyond current forecasts.

PPRO Financial Result Highlights (Consolidated)

As of/For the years ended	Sep 2023 (Unaudited)	Dec 2022 (Audited)	Dec 2021 (Audited)	Dec 2020 (Audited)
Total Adjusted Assets (IDR, Bn)	20,433.64	21,804.98	21,052.85	18,462.77
Total Adjusted Debt (IDR, Bn)	8,956.39	10,847.36	11,253.21	9,618.94
Total Adjusted Equity (IDR, Bn)	3,864.29	3,984.00	3,928.98	3,883.36
Total Sales (IDR, Bn)	371.05	1,704.68	862.46	2,075.24
Net Income (IDR, Bn)	33.70	226.65	58.47	405.61
EBITDA Margin (%)	-118.85	24.27	21.02	126.50
EBIT Margin (%)	9.08	13.30	6.78	19.55
EBITDA/Adjusted Debt (x)	199.31	47.86	192.47	23.71
Adjusted Debt/Adjusted Equity (x)	2.32	2.72	2.86	2.48
FFO/ Adjusted Debt (%)	0.07	0.18	0.06	0.48
EBITDA/IFCCI (x)	-0.02	-0.06	0.24	0.01
USD Exchange Rate (IDR/USD)	15,526	15,730	14,572	14,105

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