

PT PP PROPERTI Tbk.

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Sep-2016	Dec-2015	Dec-2014	Dec-2013
			(Audited)	(Audited)	(Audited)	(Audited)
Corporate Rating	<i>idA-/Negative</i>	Total Adjusted Assets [IDR Bn]	7,137.5	5,317.8	2,805.1	1,437.5
Rated Issues		Total Adjusted Debt [IDR Bn]	2,553.2	1,329.2	762.3	372.4
<i>MTN/2015</i>	<i>idA-</i>	Total Adjusted Equity [IDR Bn]	2,756.4	2,516.5	1,064.9	925.2
<i>MTN/2016</i>	<i>idA-</i>	Total Sales [IDR Bn]	1,559.4	1,506.3	595.3	46.3
<i>Bond/2016</i>	<i>idA-</i>	EBITDA [IDR Bn]	385.6	407.4	143.8	14.5
Rating Period		Net Income after MI [IDR Bn]	260.5	300.3	100.5	12.0
<i>January 10, 2017 – March 1, 2017</i>		EBITDA Margin [%]	24.7	27.0	24.2	31.4
Rating History		Adjusted Debt/EBITDA [X]	*5.0	3.3	5.3	4.3
<i>MAR 2016</i>	<i>idA-/Stable</i>	Adjusted Debt/Adjusted Equity [X]	0.9	0.5	0.7	0.4
<i>DEC 2015</i>	<i>idA-/Stable</i>	FFO/Adjusted Debt [%]	*12.8	24.2	14.4	20.6
		EBITDA/IFCCI [X]	4.8	10.6	10.2	34.8
		USD Exchange Rate [IDR/USD]	12,998	13,795	12,440	12,189

*FFO = EBITDA – IFCCI + gross interest income – current tax expense
EBITDA = (operating profit + depreciation exp. + amortization exp.)
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.*

PEFINDO revises the outlook for the corporate rating of PT PP Properti Tbk to “negative”

PEFINDO has revised the outlook for the corporate rating of PT PP Properti Tbk (PPRO) to “negative” from “stable” to anticipate weaker-than-projected capital structure and cash flow protection measures. The Company’s debt to EBITDA ratio is likely to weaken due to lower profitability margin and higher debt to finance land bank acquisitions, project development, and lengthened collection period. It also plans to allocate significant capital expenditure (capex) of IDR4.3 trillion in 2017-2020. Capex of IDR1.9 trillion will be disbursed in 2017, and it will be funded by right issue of IDR1.5 trillion and other alternative source of funds. We believe that the right issue plan will be executed timely in the first semester of 2017, while the remaining funding sources are still in early stage, so we do not factor that in our projection. The ratings for PPRO and its Medium Term Note (MTN) Year 2015, MTN Year 2016, and Bond Year 2016 are maintained at “*idA-*”. The ratings may be lowered if deterioration in PPRO’s financial profile will persist in the near term, as indicated by its debt to EBITDA ratio exceeding 4.0x and its funds from operations (FFO) to debt ratio being below 15%. The ratings could also be lowered if there is a significant indication of a decline in parental support. The outlook could be revised to stable if PPRO improves its capital structure and cash flow protection measures on a sustainable basis.

An obligor rated *idA* indicates that, the obligor 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 Minus (-) sign in a particular rating indicates that the rating is relatively weak within the respective rating category.

The ratings reflect PPRO’s strategically important position to its Parent, PT Pembangunan Perumahan (Persero) Tbk (PTPP, *idA+/Stable*), its favorable asset quality, and relatively diversified property locations. However, the ratings are constrained by its high financial leverage, limited proportion of recurring income, and sensitivity to changes in macroeconomic conditions.

PPRO started in 1991 as PTPP’s property division and was established as a separate entity in December 2013. It develops and sells apartments and landed houses, and also generates recurring income from hotels and mall. As of September 30, 2016, PPRO’s shareholders were PTPP (64.96%), the public (34.98%), and PTPP’s employees’ welfare foundation (0.06%).

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