

PT PP PROPERTI Tbk.

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended				
		Jun-2017	Dec-2016	Dec-2015	Dec-2014	
		(Unaudited)	(Audited)	(Audited)	(Audited)	
Corporate Rating	<i>idBBB/Stable</i>	Total Adjusted Assets [IDR Bn]	10,708.0	8,824.0	5,317.8	2,805.1
Rated Issues		Total Adjusted Debt [IDR Bn]	3,219.7	3,115.6	1,329.2	762.3
MTN Year 2016	<i>idBBB</i>	Total Adjusted Equity [IDR Bn]	4,666.7	2,965.7	2,516.5	1,064.9
Bond Year 2016	<i>idBBB</i>	Total Sales [IDR Bn]	1,050.6	2,147.6	1,506.3	595.3
Rating Period		EBITDA [IDR Bn]	227.3	532.0	407.4	143.8
August 29, 2017 – August 1, 2018		Net Income after MI [IDR Bn]	160.6	365.4	300.3	100.5
Rating History		EBITDA Margin [%]	21.6	24.8	27.0	24.1
MAR 2017	<i>idBBB+/Stable</i>	Adjusted Debt/EBITDA [X]	*7.1	5.9	3.3	5.3
JAN 2017	<i>idA-/Negative</i>	Adjusted Debt/Adjusted Equity [X]	0.7	1.1	0.5	0.7
MAR 2016	<i>idA-/Stable</i>	FFO/Adjusted Debt [%]	*5.6	8.7	23.8	13.8
DEC 2015	<i>idA-/Stable</i>	EBITDA/IFCCI [X]	1.9	2.9	9.3	7.6
		USD Exchange Rate [IDR/USD]	13,180	13,436	13,795	12,440

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.

PEFINDO lowers PT PP Properti Tbk (PPRO)'s ratings to "idBBB" from "idBBB+"

PEFINDO has lowered the ratings for PT PP Properti Tbk (PPRO), its Medium Term Note (MTN) Year 2016, and Bond Year 2016 to "idBBB" from "idBBB+". The downgrades were triggered by the Company's more aggressive capital structure with significantly more than projected additional debt to finance its capital expenditures (capex) in the near to medium term. PPRO has revised its projected capex in 2017 to IDR2.4 trillion from IDR1.6 trillion on our last rating assessment in March 2017. Most of the additional capex will be allocated to acquire new land banks in several locations, which will be funded by external sources. PEFINDO also views the upcoming capex in 2018-2019 will potentially increase for projects' development in the targeted land banks as well as for its existing projects. This condition impacts to weaker key credit metrics than anticipated, as indicated by its projected debt to EBITDA ratio of more than 8x for the next three years (2017-2019) and its funds from operations (FFO) to debt ratio of less than 5%. The rating also includes MTN II Seri B of IDR100.0 billion that will mature on September 21, 2017. The Company plans to use its internal fund to pay the maturing MTN. As of June 30, 2017, PPRO had cash and cash equivalent of IDR1.1 trillion including the unused right issue proceeds. The outlook for the corporate rating is "stable" as we have incorporated the higher-than-anticipated debt in PPRO's financial profile. We view that the possibility of a rating upgrade in the next 12-18 months is limited. On the other hand, the rating could be lowered if the Company's revenue and EBITDA are lower than projected and/or if it incurs higher-than-projected debt, resulting in a further deterioration in its financial profile. The rating could also be lowered if there is a significant indication of a decline in parental support.

An obligor rated idBBB has an adequate capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

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 very 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 generates recurring income from hotels and malls. It performed right issue of IDR1.5 trillion in April 2017. As of June 30, 2017, PPRO's shareholders were PTPP (64.96%), the public (34.98%), and PTPP's employees' welfare foundation (0.06%).

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