

PT PP PROPERTI Tbk.

Analysts: Kresna Piet Wiryawan / Martin Pandiangan

Phone/Fax/E-mail: (62-21) 72782380 / 72782370 / kresna.wiryawan@pefindo.co.id / martin.pandiangan@pefindo.co.id

CREDIT PROFILE		FINANCIAL HIGHLIGHTS			
		As of/for the year ended			
		Jun-2020	Dec-2019	Dec-2018	Dec-2017
		(Unaudited)	(Audited)	(Audited)	(Audited)
Corporate Rating	<i>id</i> BBB-/Negative				
Rated Issues					
Shelf Reg. Bond II Year 2020	<i>id</i> BBB-	18,535.1	19,551.2	16,441.7	12,557.1
Bond I Year 2016	<i>id</i> BBB-	8,517.8	8,002.7	6,204.7	4,321.4
Bond I Phase I Year 2018	<i>id</i> BBB-	4,727.8	6,091.6	5,784.6	4,997.3
Bond I Phase II Year 2019	<i>id</i> BBB-	772.5	2,495.8	2,559.9	2,715.0
Bond I Phase III Year 2019	<i>id</i> BBB-	128.3	583.5	590.3	594.3
MTN XI Year 2018	<i>id</i> BBB-	51.4	342.7	471.3	444.7
MTN XII Year 2018	<i>id</i> BBB-	16.6	23.4	23.1	21.9
MTN XIII Year 2018	<i>id</i> BBB-	*33.2	13.7	10.5	7.3
MTN XIV Year 2019	<i>id</i> BBB-	1.8	1.3	1.1	0.9
		*(6.2)	(1.6)	3.2	7.0
		0.3	0.9	1.4	2.3
		14,302	13,901	14,481	13,548
Rating Period					
	September 25, 2020 – September 1, 2021				
Rating History					
SEP 2020	<i>id</i> BBB-/Negative				
AUG 2020	<i>id</i> BBB-/Negative				
MAY 2020	<i>id</i> BBB-/Negative				
AUG 2019	<i>id</i> BBB-/Negative				
AUG 2018	<i>id</i> BBB/Stable				
AUG 2017	<i>id</i> BBB/Stable				
MAR 2017	<i>id</i> BBB+/Stable				
JAN 2017	<i>id</i> A-/Negative				
MAR 2016	<i>id</i> A-/Stable				
DEC 2015	<i>id</i> A-/Stable				

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.

PT PP Properti Tbk's rating affirmed at "*id*BBB-" with negative outlook

PEFINDO has affirmed its "*id*BBB-" ratings for PT PP Properti Tbk (PPRO) and its Bond I Year 2016. At the same time, PEFINDO has also assigned "*id*BBB-" ratings to PPRO's Shelf Registered Bond II Year 2020 of maximum IDR2.4 trillion, Bond I Phase I Year 2018, Bond I Phase II Year 2019, Bond I Phase III Year 2019, MTN XI Year 2018, MTN XII Year 2018, MTN XIII Year 2018, and MTN XIV Year 2019. We have maintained a "**negative**" outlook for PPRO's corporate rating to anticipate its weaker credit profile in the medium term due to lower property demand, combined with high financial leverage, and prolonged operating cash cycle. We project PPRO's cash inflows will significantly drop in 2020 due to Coronavirus Disease (COVID-19) pandemic that will limit its marketing sales activities, delay receivable collection, and cause slower project developments. Despite its focus on selling nearly-built properties and bulk sales, PPRO should address its needs to finance construction cost, principal and interest payments, and its capital expenditure. PPRO plans to fully repay its maturing MTNs in October to November 2020 totaling IDR613.0 billion using its operating cash and external sources.

An obligor rated *id*BBB 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 Minus (-) sign indicates that the rating is relatively weak within the respective rating category.

The corporate rating reflects PPRO's strategically important position to its Parent, PT Pembangunan Perumahan (Persero) Tbk (PTPP, *id*A+/Negative), its favorable asset quality, and relatively diversified property locations. However, the rating is constrained by its high financial leverage, weak cash flow protection measures and liquidity, limited proportion of recurring income, and sensitivity to changes in macroeconomic conditions.

The rating could be lowered if there is higher refinancing risk on its maturing debt and/or liquidity pressures. The rating could also be lowered if there is a significant indication of a decline in parental support. However, the rating outlook could be revised to stable if the Company significantly improves its operating cash cycle and financial leverage on a sustained basis.

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. As of June 30, 2020, PPRO's shareholders were PTPP (64.96%), the public (34.98%), and Yayasan Kesejahteraan Karyawan Pembangunan Perumahan (0.06%).

DISCLAIMER

The rating contained in this report or publication is the opinion of PT Pemeringkat Efek Indonesia (PEFINDO) given based on the rating result on the date the rating was made. The rating is a forward-looking opinion regarding the rated party's capability to meet its financial obligations fully and on time, based on assumptions made at the time of rating. The rating is not a recommendation for investors to make investment decisions (whether the decision is to buy, sell, or hold any debt securities based on or related to the rating or other investment decisions) and/or an opinion on the fairness value of debt securities and/or the value of the entity assigned a rating by PEFINDO. All the data and information needed in the rating process are obtained from the party requesting the rating, which are considered reliable in conveying the accuracy and correctness of the data and information, as well as from other sources deemed reliable. PEFINDO does not conduct audits, due diligence, or independent verifications of every information and data received and used as basis in the rating process. PEFINDO does not take any responsibility for the truth, completeness, timeliness, and accuracy of the information and data referred to. The accuracy and correctness of the information and data are fully the responsibility of the parties providing them. PEFINDO and every of its member of the Board of Directors, Commissioners, Shareholders and Employees are not responsible to any party for losses, costs and expenses suffered or that arise as a result of the use of the contents and/or information in this rating report or publication, either directly or indirectly. PEFINDO generally receives fees for its rating services from parties who request the ratings, and PEFINDO discloses its rating fees prior to the rating assignment. PEFINDO has a commitment in the form of policies and procedures to maintain objectivity, integrity, and independence in the rating process. PEFINDO also has a "Code of Conduct" to avoid conflicts of interest in the rating process. Ratings may change in the future due to events that were not anticipated at the time they were first assigned. PEFINDO has the right to withdraw ratings if the data and information received are determined to be inadequate and/or the rated company does not fulfill its obligations to PEFINDO. For ratings that received approval for publication from the rated party, PEFINDO has the right to publish the ratings and analysis in its reports or publication, and publish the results of the review of the published ratings, both periodically and specifically in case there are material facts or important events that could affect the previous ratings. Reproduction of the contents of this publication, in full or in part, requires written approval from PEFINDO. PEFINDO is not responsible for publications by other parties of contents related to the ratings given by PEFINDO.