

PT Sinarmas Sekuritas

Corporate rating *ir*AA/Stable

Rated Issues -

Rating Period

January 22, 2021 – February 1, 2022

“An obligor with *ir*AA rating has a very high level of certainty to honor the financial obligations. There is, however, a slight difference in the rating scale with the highest qualification level of Obligor.”

Kredit Rating Indonesia assigns '*ir*AA' corporate rating to PT Sinarmas Sekuritas

Kredit Rating Indonesia (KRI) assigns a Corporate Rating of '*ir*AA' for PT Sinarmas Sekuritas ("SMAS" or the Company) with a 'Stable' outlook, a change from 'Negative' outlook previously. The rating reflects SMAS strong market position, well capitalized balance sheet, strong liquidity and satisfactory profitability.

SMAS is one of the largest private local securities companies in Indonesia and is 99.99% owned by PT Sinar Mas Multiartha Tbk, a financial holding company of Sinarmas Group. SMAS's total equity transaction value was IDR51.1 trillion in 9M20, translating to 1.77% of market share and placing the company at rank 18 in Indonesia. The investment management subsidiary of SMAS, PT Sinarmas Asset Management (SAM) had IDR30.3 trillion of total asset under management as of 2020, making it the seventh largest asset manager in Indonesia with total asset under management CAGR of 31% in the last five years.

SMAS has a relatively low asset to equity (1.4 x) with no interest bearing debt as of 9M20. With no significant change in business model, we are of the view that SMAS can maintain capital and leverage at the current satisfactory level. Consistent with the nature of securities industry, SMAS's profitability largely follows market cycle. Its ROA was 0.2% in 9M20; lowest since 2017 following decline in JCI by almost 25% ytd in March 2020 due to pandemic situation. We expect SMAS's profitability's swings will still be determined by the general stock market performance. Nonetheless, its growing contribution of investment management business can dampen the volatility of the earnings in the foreseeable future.

KRI further rating actions for SMAS will be influenced by (but not limited to) the company's leverage level and higher risk appetite through higher reliance of proprietary trading and margin financing.

SMAS's Consolidated Financial Results Highlights

As of/For the year ended	Sep 2020 (Unaudited)	Dec 2019 (Audited)	Dec 2018 (Audited)	Dec 2017 (Audited)
Total Assets (IDR, Bn)	1,549.8	1,637.8	2,236.0	1,853.0
Total Liabilities (IDR, Bn)	412.6	504.1	1,079.0	518.0
Total Equity (IDR, Bn)	1,137.2	1,133.7	1,157	1,335
Total Revenue (IDR, Bn)	36.0	92.5	284.0	312.0
Net Income (IDR, Bn)	3.5	128.3	122.0	138.0
EBITDA Margin (%)	(51.2)	47.4	42.6	53.2
Return on Asset (%)	0.2	7.8	5.4	7.4
Return on Equity (%)	0.4	11.3	9.9	11.0
Asset to Equity (x)	1.4	1.4	1.9	1.4
Return on Permanent Capital (%)	(6.4)	14.4	9.9	13.2
USD Exchange Rate (IDR/USD)	14,918	13,901	14,481	13,548

Analysts : Achmad Kurniawan Sudjtmiko (Achmad.sudjtmiko@kreditratingindonesia.com)
 Furqon Abrory Samara (Furqon.samara@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.