

PT PP Properti Tbk**Company Rating*****ir*BBB+/Stable****Rated Issue**

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"Debt securities with an *ir*BBB rating have an adequate level of certainty to honor the financial obligations. However, this certainty is more likely to diminish in the future than the higher rating categories."
The positive sign (+) indicates that the rating given is closer to the rating scale above it.

Rating Period

April 18, 2022 – May 1, 2023

Kredit Rating Indonesia assigns '*ir*BBB+' rating to PT PP Properti Tbk with "Stable" outlook

Kredit Rating Indonesia (KRI) assigns a Corporate Rating of '*ir*BBB+' for PT PP Properti Tbk (PPRO or the Company) with "Stable" outlook. The rating reflects PPRO's moderate asset quality, diversified property location and strong parent support. The rating is constrained by the company's high financial leverage and weak cash flow protection.

PPRO operates in the property sector primarily in Indonesia. The company engaged in property and realty development business focusing on 3 segments, namely residential (apartment and landed house), mall, and hotel. The Company was incorporated in 2013 and went public in 2016. The Company's shareholder composition as of December 31, 2021, was PT PP (Persero) Tbk (65.96%), Public (34.97%) and Yayasan Kesejahteraan Karyawan PTPP (0.07%).

PPRO's properties are spread across several regions in Indonesia such as Pekanbaru, Cilegon, Serpong, Jakarta, Bogor, Bekasi, Bandung, Semarang, Yogyakarta, Surabaya Malang, Balikpapan, and Lombok. As a property company that focuses on high-rise and landed houses, the company prefers areas that have potential for infrastructure development, such as toll roads and train stations, as well as near educational centers and industrial areas. We see a strong support from the majority shareholder of the Company, namely PT PP (Persero) Tbk by providing shareholder loan and capital injections for PPRO's business development.

The company's leverage level shows a weakening trend as the Debt-to-Equity ratio rose from 1.04x in 2018 to 2.86x in FY21. The increase in the company's debt is one of the main causes of the deterioration of PPRO's capital structure. Meanwhile, the PPRO interest coverage ratio weakened further as the EBITDA/Interest ratio fell from 1.43x in FY18 to 0.19x in FY21.

The ratings could be raised if PPRO has successfully implemented the strategy to generate revenue and reduce debt by recycling assets for several projects to generate more income, divesting affiliates, and selling the company's land bank. On the other hand, the rating could be lowered if the Company's profitability margins are significantly below target, and/or if the Company's debt is higher than projected.

PPRO Financial Results Highlights (Consolidated)

As of/For the year ended	Dec 2021 (Audited)	Dec 2020 (Audited)	Dec 2019 (Audited)	Dec 2018 (Audited)
Total adjusted assets (IDR, Bn)	21.052,85	18.462,77	17.874,68	16.441,71
Total adjusted debt (IDR, Bn)	11.253,21	9.618,94	8.002,74	5.438,50
Total adjusted equity (IDR, Bn)	3.928,98	3.883,36	3.872,32	5.238,33
Total sales (IDR, Bn)	862,46	2.075,24	1.624,17	2.556,17
EBITDA (IDR, Bn)	197,34	357,59	444,19	601,97
Net income After MI (IDR, Bn)	21,02	126,50	247,28	496,79
EBITDA Margin (%)	22,88	17,23	27,35	23,55
Adjusted debt/EBITDA (x)	57,03	26,90	18,02	9,03
Adjusted debt/adjusted equity (x)	2,86	2,48	2,07	1,04
EBITDA/IFCCI (x)	0,19	0,42	0,68	1,43
FFO/Total adjusted debt (%)	(7,26)	(5,08)	(2,62)	3,24
USD Exchange rate (IDR/USD)	14.572	14.105	13.901	14.481

Analysts : Furqon Abrory Samara (furqon.samara@kreditratingindonesia.com)
 Gromy Pilipi Pranata Purba (gromy.purba@kreditratingindonesia.com)

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