PEFINDO CREDIT RATING AGENCY

Press Release

September 9, 2022

PT LONTAR PAPYRUS PULP & PAPER INDUSTRY

Credit Rating(s)

General Obligation (GO)	$_{id}$A/ Positive
Sukuk Mudharabah I/2018	$_{id}$A$_{(sy)}$
Shelf Registered Bond I/2021	$_{id}$A

Rating Period

September 7, 2022 – September 1, 2023

Published Rating History

SEP 2021	$_{id}$A/Stable
JUL 2021	$_{id}$A/Stable
JUL 2020	$_{id}$A/Stable
JUL 2019	$_{id}$A+/Negative
JUL 2018	$_{id}$A+/Stable

PEFINDO has affirmed its "$_{id}$A" ratings to PT Lontar Papyrus Pulp & Paper Industry (LPPI) and its Shelf Registered Bond I Year 2021, as well as its "$_{id}$A$_{(sy)}$" rating for Sukuk Mudharabah I Year 2018. The outlook for the corporate rating is revised to **"positive"** from **"stable"**, reflecting our expectation on LPPI's improving financial profile as a result of its deleveraging proses. The Company's financial figures are also expected to benefit from the increasing sales price trend resulting in better profit margin, with projected debt to EBITDA ratio of around 2.6x and its funds from operation to debt ratio of 27% on average in 2022-2024.

The corporate rating reflects LPPI's strong business position in the pulp and tissue industry, vertically well-integrated operations, as well as strong operating management. It is constrained by risks related to high working capital needs and exposure to price volatility of products and raw materials.

The rating may be raised following LPPI's successful deleveraging plans in the near term which would improve its capital structure and cash flow protection measures. The outlook may be revised back to stable without rating upgrade if the Company fails to reduce its loan, if its revenue and/or profit margins significantly drop from their current levels, or if it incurs significantly larger new debt than projected without being compensated for by an improved business profile.

LPPI is a pulp and tissue manufacturer, a member of the Asia Pulp and Paper (APP) group, a leading pulp and paper product manufacturer in the global market. Commencing operating in 1976, LPPI is a subsidiary of PT Pindo Deli Pulp and Paper Mills, which holds a significant role in the production of paper and tissue in Indonesia. It has a production facility in Tebing Tinggi in Jambi. As of June 30, 2022, it was 99.92% owned by PT Pindo Deli Pulp and Paper Mills, which is also a part of APP group.

Rating Definition

An obligor rated $_{id}$A has a strong capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors.
Suffix (sy) means the rating indicates Islamic principles compliant.

Financial Highlights

As of/for the year ended	Jun-2022 (Unaudited)	Dec-2021 (Audited)	Dec-2020 (Audited)	Dec-2019 (Audited)
Total adjusted assets [USD mn]	2,109.0	2,069.4	2,009.8	2,204.6
Total adjusted debt [USD mn]	692.1	735.6	835.4	993.8
Total adjusted equity [USD mn]	1,202.0	1,184.2	1,035.8	1,063.9
Total sales [USD mn]	291.1	548.7	526.9	637.2
EBITDA [USD mn]	140.3	246.6	184.0	239.7
Net income after MI [USD mn]	87.8	148.4	20.2	163.0
EBITDA margin [%]	48.2	44.9	34.9	37.6
Adjusted debt/EBITDA [X]	*2.5	3.0	4.5	4.1
Adjusted debt/adjusted equity [X]	0.6	0.6	0.8	0.9
FFO/adjusted debt [%]	*26.9	23.1	13.7	17.2
EBITDA/IFCCI [X]	6.4	5.4	3.3	6.2
USD exchange rate [IDR/USD]	14,848	14,269	14,105	13,901

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.

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