

PT PP PROPERTI Tbk.

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Dec-2016	Dec-2015	Dec-2014	Dec-2013
			(Audited)	(Audited)	(Audited)	(Audited)
Corporate Rating	<i>idBBB+/Stable</i>	Total Adjusted Assets [IDR Bn]	8,824.0	5,317.8	2,805.1	1,437.5
Rated Issues		Total Adjusted Debt [IDR Bn]	3,115.6	1,329.2	762.3	372.4
<i>MTN/2015</i>	<i>idBBB+</i>	Total Adjusted Equity [IDR Bn]	2,965.7	2,516.5	1,064.9	925.2
<i>MTN/2016</i>	<i>idBBB+</i>	Total Sales [IDR Bn]	2,147.6	1,506.3	595.3	46.3
<i>Bond/2016</i>	<i>idBBB+</i>	EBITDA [IDR Bn]	532.0	407.4	143.8	14.5
Rating Period		Net Income after MI [IDR Bn]	365.4	300.3	100.5	12.0
<i>March 10, 2017 – March 1, 2018</i>		EBITDA Margin [%]	24.8	27.0	24.2	31.4
Rating History		Adjusted Debt/EBITDA [X]	5.9	3.3	5.3	4.3
<i>JAN 2017</i>	<i>idA-/Negative</i>	Adjusted Debt/Adjusted Equity [X]	1.1	0.5	0.7	0.4
<i>MAR 2016</i>	<i>idA-/Stable</i>	FFO/Adjusted Debt [%]	8.8	23.8	13.8	20.6
<i>DEC 2015</i>	<i>idA-/Stable</i>	EBITDA/IFCCI [X]	2.9	9.3	7.6	34.8
		USD Exchange Rate [IDR/USD]	13,436	13,795	12,440	12,189

*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
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 downgrades the ratings of PT PP Properti Tbk to “idBBB+” from “idA-”

PEFINDO has lowered the ratings for PT PP Properti Tbk (PPRO) and its Medium Term Note (MTN) Year 2015, MTN Year 2016, and Bond Year 2016 to “idBBB+” from “idA-”. Downgrades in ratings were mainly driven by our expectation that the Company's key credit metrics will shift to a weaker condition due to projected lower profitability margin, longer collection period, and higher debt to finance capital expenditures (capex). We project that PPRO's financial profile will remain like the current figures, as indicated by its debt to EBITDA ratio exceeding 4.0x and its funds from operations (FFO) to debt ratio being below 15%. We also have factored in the Company's right issue plan of IDR1.5 trillion in the first semester of 2017. The outlook for the corporate rating has been revised to “stable” from “negative” as the rating downgrade has already factored in our expectation that capital structure and cash flow protection will remain weak in the near to medium term. Thus, we view that the possibility of a rating upgrade in the next 12-18 months is limited. On the other hand, the rating could further be downgraded if the Company incurs higher-than-projected debt, resulting in a 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 Plus (+) sign in a particular rating indicates that the rating is relatively strong within the respective rating category.

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 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. As of December 31, 2016, PPRO's shareholders were PTPP (64.96%), the public (34.98%), and PTPP's employees' welfare foundation (0.06%).

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