

PT Express Transindo Utama Tbk.

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of/for the year ended	Jun-2016	Dec-2015	Dec-2014	Dec-2013
			(Unaudited)	(Audited)	(Audited)	(Audited)
Corporate Rating	^{id} BBB+/Negative	Total adjusted assets [IDR bn]	2,628.9	2,761.1	2,888.9	2,014.6
Rated Issues		Total adjusted debt [IDR bn]	1,538.8	1,632.8	1,746.7	910.6
Bond I/2014	^{id} BBB+	Total adjusted equity [IDR bn]	755.3	798.3	763.9	669.1
Rating Period		Total sales [IDR bn]	374.1	970.1	889.7	686.9
August 30, 2016 – March 1, 2017		EBITDA [IDR bn]	163.3	514.4	522.1	408.7
Rating History		Net income after MI [IDR bn]	(42.9)	32.2	118.9	132.4
MAR 2016	^{id} A-/Negative	EBITDA margin [%]	43.7	53.0	58.7	59.5
MAR 2015	^{id} A/Stable	Adjusted debt to EBITDA [X]	*4.7	3.2	3.3	2.2
MAR 2014	^{id} A/Stable	Adjusted debt to adjusted equity [X]	2.0	2.0	2.3	1.4
		FFO to adjusted debt [%]	*8.3	17.9	21.5	35.3
		EBITDA to IFCCI [X]	1.8	2.5	3.4	4.8
		USD exchange rate [IDR/USD]	13,180	13,795	12,440	12,189

*FFO = EBITDA – IFCCI + gross interest income – current tax expense
EBITDA = (operating profit + depreciation exp. + amortization exp.)
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.*

PEFINDO downgraded the ratings of TAXI to “^{id}BBB+” from “^{id}A-”, negative outlook

PEFINDO has lowered the ratings for PT Express Transindo Utama Tbk (TAXI) and its Bond I/2014 to “^{id}BBB+” from “^{id}A-”. Downgrade in ratings were mainly driven by our expectation that its revenue in 2016 will fall significantly short from its target, as a result of a more competitive environment, particularly that coming from app-based ride-sharing services such as Uber, Grab, and Go-Jek, amid having high debt level, and our less confidence that TAXI will have a prompt recovery in profitability. TAXI has been losing revenue despite an expanding fleet over the past two years, pressuring its profitability, which saw its gross profit margin (GPM) dropped to 22.7% for the first half of 2016 (1H2016) from 36.1% during the same period last year and an average of 45.5% in 2012-2014. The condition has negatively affected its key credit metrics and breached our downgrade trigger, where debt to EBITDA ratio rose to 4.7x while debt and interest coverage ratios fell to 8.3% and 1.8x, respectively, in 1H2016. We also maintained our “**negative**” outlook to anticipate a further deterioration in its financial profiles resulting from lower than projected profitability and eroding market share in the industry.

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 Plus (+) sign in a particular rating indicates that the rating is relatively strong within the respective rating category.

The ratings reflect TAXI’s relatively strong market position in the conventional taxi industry, favorable fleet profile, and extensive network coverage. However, the ratings are constrained by its aggressive financial leverage, weak cash flows and liquidity profile, and a more intense competition resulting in lower fleet utilization.

We could lower the rating if TAXI’s profitability worsened resulting in a weaker capital structure and cash flow protection measures. We view that there is a potential breach in its bond covenant where TAXI has to maintain an EBITDA to interest ratio of minimum 2.5x by the end of the year. In 1H2016, its EBITDA to interest was 1.8x. The rating could also be downgraded if there is further pressure on liquidity due to its inability to convert drivers’ receivable into cash. The receivable balance as of June 30, 2016 has continued to rise to IDR436.5 billion, increasing the days receivable to 219 days from 135 days in 2015, 98 days in 2014, and 34 days in 2013. The rating could also be under pressure if there is additional debt exceeding projection without being compensated with higher revenue. On the other hand, the outlook could be revised to stable if the business environment for conventional taxis improves once the Ministry of Transportation regulation No. 32/2016 which regulates online-based transportation services becomes effective on October 2016 and could be imposed. This should be accompanied by improving profitability and stronger revenue growth of TAXI on a sustained basis.

Established in 1989, TAXI is one of the leading taxi operators in Indonesia, operating primarily in Greater Jakarta. With a fleet size of more than 11,000 units as of December 31, 2015, its services include regular taxis as its core business, premium taxis (Tiara Express), bus charters (Eagle High), and value-added transportation businesses (VATB). As of June 30, 2016, it was owned by PT Rajawali Corpora (51%) and the public (49%).

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