PEFINDO
CREDIT RATING AGENCY

Press Release
February 7, 2020

PT Perkebunan Nusantara X

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CREDIT PROFILE

Corporate Rating	*idBBB+/Stable*
Rated Issues	
MTN 2018	*idBBB+*
Rating Period	
February 5, 2020 – February 1, 2021	
Rating History	
FEB 2019	*idBBB/Stable*
FEB 2018	*idBBB/Stable*
FEB 2017	*idBBB/Stable*
APR 2016	*idBBB+/Stable*
APR 2015	*idBBB+/Stable*
DEC 2014	*idBBB+/Negative*
AUG 2014	*idA/Negative*
APR 2014	*idA+/Stable*
APR 2013	*idA+/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended	**Dec-2019** (Unaudited)	**Dec-2018** (Audited)	**Dec-2017** (Audited)	**Dec-2016** (Audited)
Total Adjusted Assets [IDR Bn]	12,164.1	12,413.1	11,083.2	11,065.2
Total Adjusted Debt [IDR Bn]	1,962.1	2,279.4	2,346.7	2,315.8
Total Adjusted Equity [IDR Bn]	8,404.0	8,400.6	6,997.3	6,991.5
Total Sales [IDR Bn]	2,627.9	2,597.5	2,562.8	2,260.4
EBITDA [IDR Bn]	542.6	527.9	422.1	163.9
Net Income after MI [IDR Bn]	84.7	104.8	52.3	(158.1)
EBITDA Margin [%]	20.6	20.3	16.5	7.2
Adjusted Debt/EBITDA [X]	3.6	4.3	5.6	14.1
Adjusted Debt/Adjusted Equity [X]	0.2	0.3	0.3	0.3
FFO/Adjusted Debt [%]	15.0	11.7	6.5	(3.0)
EBITDA/IFCCI [X]	2.5	2.2	1.8	0.8
USD Exchange Rate [IDR/USD]	13,901	14,481	13,548	13,436

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 raises the ratings for PT Perkebunan Nusantara X (PPNX) and its MTN to "idBBB+"

PEFINDO has raised the ratings for PT Perkebunan Nusantara X (PPNX) and its Medium-Term Notes (MTN) 2018 to **"idBBB+"** from **"idBBB"**. The upgrade was triggered by the Company's improving credit profile that we view will remain at that range over the near to medium term. We expect the Company will be able to book EBITDA margin of around 20% in the near to medium term before improving on the following terms on the back of better efficiencies on its operating management. Backed by these assumptions, we expect its debt to EBITDA and FFO to debt ratios – as a proxy of credit profile ratios – will hover around 3.7x and 16%, respectively. We maintained the outlook for the corporate rating at **"stable"**.

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 indicates that the rating is relatively strong within the respective rating category.

The rating reflects the stable productivity of PPNX's sugar cane plantation and its vertically-integrated operations, with more product diversity expected. The rating is constrained by the Company's moderate capital structure, high dependency on farmers' sugar cane supply, and exposure to the fluctuations of product prices and unfavorable weather.

We may raise the rating if PPNX's credit profile continues to improve on a sustained basis as a result of deleveraging plans through assets disposal initiatives and/or if the Company's achievement is better than projection. However, the rating may be lowered if the Company incurs greater debt than projected and/or its financial profile deteriorates due to weaker-than-expected cash flow and/or profitability, stemming from a major slowdown in its core businesses – sugar, edamame, and hospital – and a decline in commodity prices. We may also review the rating if the Company's subsidiary, PT Nusantara Medika Utama, will be detached from the Company's business on account of the Government initiatives to establish a new holding state-owned hospital company.

Located in East Java, PPNX is a vertically-integrated plantation company engaged in the short-lived crops industries (sugar, edamame, and tobacco) and also producing downstream products through bio-ethanol plant. It processes sugar cane in its nine sugar cane mills with some of the by-product, molasses, as a feedstock to its bio-ethanol plant. It also manages four hospitals in the East-Java area. At the end of 2019, it had a total plantation area of 51,840 hectares (ha) of sugar cane plantations (including those owned by farmers), 1,351 ha of edamame plantations, and 511 ha of tobacco plantations. As of December 31, 2019, it was 90.0% owned by PT Perkebunan Nusantara III (Persero) (idA/Stable outlook) and 10.0% by the Indonesian government.