

PT J Resources Nusantara

Analysts: Christyanto Wijaya / Yogie Surya Perdana

Phone/Fax/E-mail: (62-21) 72782380 / 72782370 / christyanto.wijaya@pefindo.co.id / yogie.perdana@pefindo.co.id

CREDIT PROFILE

Corporate Rating *idA/Stable*

Rated Issues

MTN I/2017 *idA*
MTN II/2017 *idA*
MTN III/2017 *idA*
Proposed MTN IV/2018 *idA*

Rating Period

February 13, 2018 – February 1, 2019

Rating History

SEP 2017 *idA/Stable*
JUL 2017 *idA/Stable*
MAY 2017 *idA/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended

| | Sep-2017 (Unaudited) | Dec-2016 (Audited) | Dec-2015 (Audited) | Dec-2014 (Audited) | Dec-2013 (Audited) |
|--------------------------------------|-------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Total adjusted assets [USD Mn] | 846.8 | 816.6 | 793.9 | 821.1 | 821.1 |
| Total adjusted debt [USD Mn] | 377.2 | 320.5 | 334.2 | 397.8 | 397.8 |
| Total adjusted equity [USD Mn] | 321.7 | 308.6 | 284.5 | 252.3 | 252.3 |
| Total sales [USD Mn] | 164.0 | 235.1 | 286.6 | 280.2 | 280.2 |
| EBITDA [USD Mn] | 77.5 | 119.2 | 133.6 | 111.4 | 111.4 |
| Net income after MI [USD Mn] | 12.4 | 21.3 | 25.2 | 24.2 | 24.2 |
| EBITDA margin [%] | 47.2 | 50.7 | 46.6 | 39.8 | 39.8 |
| Adjusted debt to EBITDA [X] | *3.7 | 2.7 | 2.5 | 3.6 | 3.6 |
| Adjusted debt to adjusted equity [X] | 1.2 | 1.0 | 1.2 | 1.6 | 1.6 |
| FFO to adjusted debt [%] | *17.7 | 23.5 | 24.2 | 16.3 | 16.3 |
| EBITDA to IFCCI [X] | 3.9 | 4.1 | 4.7 | 3.5 | 3.5 |
| USD exchange rate [IDR/USD] | 13,492 | 13,436 | 13,795 | 12,440 | 12,440 |

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 assigns "idA" rating to PT J Resources Nusantara's proposed MTN

PEFINDO has affirmed its "idA" ratings for PT J Resources Nusantara (JRES), its Medium-Term Note (MTN) I/2017, MTN II/2017, and MTN III/2017. PEFINDO has also assigned its "idA" rating to JRES' proposed MTN IV/2018 of a maximum of IDR800 billion, the proceeds of which will be used to partly finance its project in Pani and Doup in North Sulawesi. The outlook for the corporate rating is "stable".

An obligor rated idA 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.

The ratings reflect JRES' sizeable mining reserves and resources, low cash cost, and the high demand for gold. The ratings are constrained by its aggressive capital structure, exposure to the fluctuation of gold prices and unfavorable weather, and risks related to the development of new mines.

The rating may be raised if JRES improves its capital structure, as indicated by a debt to EBITDA ratio below 2.0x on a sustained basis, while maintaining its profitability margin and low cash cost position. This should also be supported by a sustained increase in its mining reserves and gold production volume. The rating will be lowered if it aggressively finances its expansion with substantially larger debt than projected, without being compensated by stronger revenue and/or EBITDA. A significant drop in the price of gold may also trigger a rating downgrade, since this could adversely affect the Company's financial profile.

JRES was established in 2003 under the name PT Bara Kutai Energi. It is a subsidiary of PT J Resources Asia Pasifik Tbk (PSAB), the largest Indonesian listed gold producing company. Its operations cover the exploration, mining, and processing of gold. It has a geographically diverse portfolio of assets across Indonesia and Malaysia, specifically in Penjom, Malaysia; Seruyung, North Kalimantan; and Bakan, Lanut, Pani, Doup, Bolangitang, and Bulagidun in North Sulawesi. As of September 30, 2017, it had four producing mines, two mines in the development stage, and two in the exploration stage. As of December 31, 2017, its shareholders were PT J Resources Asia Pasifik Tbk (99.99%) and Jimmy Budiarto (0.01%).

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