

PT Perkebunan Nusantara III (Persero)

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CREDIT PROFILE		FINANCIAL HIGHLIGHTS				
		As of / for the year ended	Dec-2021	Dec-2020	Dec-2019	Dec-2018
			(Unaudited)	(Audited)	(Audited)	(Audited)
Corporate Rating	<i>id</i> BBB+/Stable	Total adjusted assets [IDR bn]	144,921.8	131,228.5	126,978.7	120,013.8
Rated Issues		Total adjusted debt [IDR bn]	45,462.5	46,273.2	48,273.9	39,583.4
<i>Sukuk Ijarah II/2019</i>	<i>id</i> BBB+(sy)	Total adjusted equity [IDR bn]	64,489.4	53,420.6	49,322.1	53,088.6
<i>MTN IV/2019</i>	<i>id</i> BBB+	Total sales [IDR bn]	51,742.0	39,390.4	35,501.2	32,842.7
<i>MTN III/2019</i>	<i>id</i> BBB+	EBITDA [IDR bn]	14,974.1	6,287.7	4,015.7	4,047.7
<i>MTN Syariah Ijarah I/2018</i>	<i>id</i> BBB+(sy)	Net income after MI [IDR bn]	3,587.7	(882.3)	(2,077.4)	330.5
<i>MTN II/2018</i>	<i>id</i> BBB+	EBITDA margin [%]	28.9	16.0	11.3	12.3
Rating Period		Adjusted debt to EBITDA [X]	3.0	7.4	12.0	9.8
<i>March 10, 2022 – March 1, 2023</i>		Adjusted debt to adjusted equity [X]	0.7	0.9	1.0	0.7
Rating History		FFO to adjusted debt [%]	21.3	4.7	(0.3)	0.1
<i>MAR 2021</i>	<i>id</i> BBB/Stable	EBITDA to IFCCI [X]	4.7	1.7	1.0	1.1
<i>DEC 2020</i>	<i>id</i> BBB/C.W. Negative	USD exchange rate [IDR/USD]	14,269	14,105	13,901	14,481
<i>SEP 2020</i>	<i>id</i> BBB/C.W. Negative					
<i>JUN 2020</i>	<i>id</i> BBB/C.W. Negative					
<i>APR 2020</i>	<i>id</i> A/Negative					
<i>MAR 2017 - OCT 2019</i>	<i>id</i> A/Stable					

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.

PT Perkebunan Nusantara III (Persero) rating raised to “*id*BBB+”

PEFINDO has raised its ratings for PT Perkebunan Nusantara III (Persero) (PTPN) and its Medium-Term Notes (MTN) IV PTPN III Year 2019, MTN III PTPN III Year 2019, MTN II PTPN III Year 2018 to “*id*BBB+” from “*id*BBB”, and its ratings for PTPN’s Sukuk Ijarah II Year 2019 and MTN Syariah Ijarah I PTPN III Year 2018 to “*id*BBB+(sy)” from “*id*BBB(sy)”. The corporate rating’s outlook is “Stable”. The rating action reflects our expectation that PTPN will maintain its improved financial profile, particularly its capital structure and cash flow protection measures, driven by strong growth in its revenue and EBITDA triggered by improved productivity and high commodity price, and no additional debt except for the remaining disbursement of loan facility from national economic recovery (PEN) program.

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 indicates that the rating is relatively strong within its category.

The corporate rating reflects PTPN’s strong government support, good plantation profile with integrated and diversified operations, and strong demand of palm oil leading to improved cash flow protection measures. However, the rating is constrained by its moderate capital structure with limited financial flexibility, risks from expansion in the downstream business, and exposure to the fluctuations of global commodity prices and unfavorable weather conditions.

We may raise the rating if PTPN strengthens its business profile by sustainably achieving higher than targeted productivity for main commodities and successful expansion in the downstream sector, if it sustainably improves its capital structure and cash flow protection measures on the back of deleveraging efforts through its corporate action plans and increasing cash flow generation, and if it is able to have flexibility in managing its cash flow generation to optimize its revenue and profit. We may lower the rating if its revenue and/or EBITDA are significantly lower than projected as a result of lower than expected productivity and commodity price. We have not factored in its corporate action plans into the rating as it may be subject to market condition.

PTPN is the state-owned holding company for the plantation sector, producing major commodities of crude palm oil (CPO) and its derivatives, rubber, sugar, tea, and other commodities. As of December 31, 2021, it managed a total planted area of 893 thousand hectares (ha), planted with oil palm (62.6%), rubber (15.5%), sugarcane (17.1%), and others such as tea, coffee, and cacao (4.8%). In 2021, its revenue was generated from palm oil (64.9%), sugar and molasses (13.6%), rubber (9.2%), and others (12.3%). As of December 31, 2021, it was fully owned by the Indonesian government.

DISCLAIMER

The rating contained in this report or publication is the opinion of PT Pemeringkat Efek Indonesia (PEFINDO) given based on the rating result on the date the rating was made. The rating is a forward-looking opinion regarding the rated party's capability to meet its financial obligations fully and on time, based on assumptions made at the time of rating. The rating is not a recommendation for investors to make investment decisions (whether the decision is to buy, sell, or hold any debt securities based on or related to the rating or other investment decisions) and/or an opinion on the fairness value of debt securities and/or the value of the entity assigned a rating by PEFINDO. All the data and information needed in the rating process are obtained from the party requesting the rating, which are considered reliable in conveying the accuracy and correctness of the data and information, as well as from other sources deemed reliable. PEFINDO does not conduct audits, due diligence, or independent verifications of every information and data received and used as basis in the rating process. PEFINDO does not take any responsibility for the truth, completeness, timeliness, and accuracy of the information and data referred to. The accuracy and correctness of the information and data are fully the responsibility of the parties providing them. PEFINDO and every of its member of the Board of Directors, Commissioners, Shareholders and Employees are not responsible to any party for losses, costs and expenses suffered or that arise as a result of the use of the contents and/or information in this rating report or publication, either directly or indirectly. PEFINDO generally receives fees for its rating services from parties who request the ratings, and PEFINDO discloses its rating fees prior to the rating assignment. PEFINDO has a commitment in the form of policies and procedures to maintain objectivity, integrity, and independence in the rating process. PEFINDO also has a "Code of Conduct" to avoid conflicts of interest in the rating process. Ratings may change in the future due to events that were not anticipated at the time they were first assigned. PEFINDO has the right to withdraw ratings if the data and information received are determined to be inadequate and/or the rated company does not fulfill its obligations to PEFINDO. For ratings that received approval for publication from the rated party, PEFINDO has the right to publish the ratings and analysis in its reports or publication, and publish the results of the review of the published ratings, both periodically and specifically in case there are material facts or important events that could affect the previous ratings. Reproduction of the contents of this publication, in full or in part, requires written approval from PEFINDO. PEFINDO is not responsible for publications by other parties of contents related to the ratings given by PEFINDO