



PT PANORAMA SENTRAWISATA Tbk

| | Amount Outstanding as on September 2014 | Maturity Date | Rating Outstanding/ Outlook | Previous Rating/Outlook |
|---|---|---------------|-----------------------------|-------------------------|
| | - | - | | - |
| MTN I PT Panorama Sentrawisata Tbk Tahun 2012 | Rp 50bn | 6-Dec-15 | [idr]A-/Stable | [idr]A-/Stable |

PT ICRA Indonesia has affirmed its rating of [idr]A- (pronounced as A minus) with a stable outlook of PT Panorama Sentrawisata Tbk's (Panorama) Rp 50 bn Medium Term Notes (MTN). The rating indicates adequate degree of safety regarding timely servicing of financial obligations, and the rated instruments carry low credit risk. The supporting factors for the rating include the company's leading position in tourism & leisure sector in Indonesia, its increasingly integrated business which offers end-to-end solutions for tourism and hospitality, and the extensive industry experience of its management. The rating is, however, constrained by the volatility that characterizes Panorama's business, its high medium-term leverage and exposure to the execution risks associated with its various long-term capex plans.

Panorama's rating could move up if the company is able to expand its business as planned while maintaining its current financial profile. The rating could, however, experience a downturn should the company fail to manage its expansion, thereby leading to a weakening of its profitability, capital structure as well as cash accruals which will in turn impact its debt servicing capacity.

The principal methodology used in rating Panorama is ICRA Indonesia's methodology for corporate credit rating. Please refer to www.icraindonesia.com for the detailed information on the methodology along with other methodologies.

Panorama's rating is supported by its leading position in the tourism and leisure business in Indonesia. The company's reported net revenues of over Rp 1.7 tn in 2013 was among the largest within the fragmented tourism industry. Further, the revenues have grown at a healthy compounded annual growth rate (CAGR) of 18.3% over the 3 years ended 2013. This exceeds the growth rate of domestic tourism industry which has clocked at 8-11% during the period. Panorama's revenues for the 9 months up to September 2014 reached Rp 1.5 tn, maintaining a healthy growth rate of 13% over the same period last year. Apart from that, the leading position is supported by its 25 brands and a strong network of over 100 branches and sales offices in Jakarta, Bali, and some other big cities in Indonesia and abroad such as Kuala Lumpur, Singapore and Paris. Some of its leading brands include Panorama Destination, Panorama Tours, Chan Brothers, Carlson Wagonlit Travel and Smart Holiday for tours, Whitehorse, Day Trans and Europcar for transportation as well as Reed Panorama Exhibitions, Panorama Media and Panorama Events for meetings and conventions.



Starting the inbound tourism activities in the 1970s, the company along with its subsidiaries today operates through 5 pillars, viz outbound tourism (71% of revenue as of September 2014), inbound tourism (16.8%), transportation (9.8%), media and (2.4%) and hospitality (new foray). Despite the gap in revenue contribution, all these pillars form a synergetic operating environment for Panorama. Its tourism activities would be supported by its transportation business, which in turn has a captive market. On the other hand the newly formed hospitality pillar could also cater to the accommodation requirements of its own tourism clients. Media pillar that engages in publication of travel related literature and event management cater to canvassing its services as well as the requirement of corporate and retail tourists. The group currently offers end-to-end solutions in the tourism and leisure business. This integration has been one of the important reasons for the healthy double digit CAGR. Further, it has also given Panorama some opportunity to diversify its revenue profile to an extent.

That apart, the promoters' experience of more than 5 decades has helped it tide over several adverse economic cycles impacting on the tourism business. The company has survived and grown over adverse market conditions including the latest world economic slowdown (with the sole exception in 2009, when a combination of the global economic crisis and domestic political year impacted the demand adversely). The management has remained dynamic and proactive in spotting the changing market. During the ongoing economic slowdown, it was management's decision to change their strategy and focus only on the high margin business that has gradually increased the operating margins to 10.8% in 2013 from 7.9% in 2011. For 9 month period ended September 2014, the operating margin further improved to 11.2%. Its forex denominated business has also helped locking in forex gains and added to the profitability during the times of depreciating domestic currency.

The rating assigned to Panorama is however constrained by the volatility that characterizes the tourism and hospitality industry. Demand in the industry generally bears a strong correlation to economic growth, both domestic and global, as reflected by the revenue decline posted by the major players, including Panorama, during 2009. Similarly, unforeseen events like terrorist attacks and epidemics could cause a significant decline in leisure and business traffic, going forward.

Second factor constraining the rating is its high medium-term leverage. The company's gearing, as measured by the debt-to-equity ratio began increasing on account of several capex programs of the group. It rose to 1.7x in 2013 from 1.1x in 2011 and the figure has remained sticky at 1.6x as on September 30, 2014. The debt has increased by Rp 358.6 bn during the period in order to fund the expansion of its various operations, including working capital for tourism businesses, enlarging the fleet of transportation business and pumping capital for new business activities. Going forward, the group's hospitality pillar in particular and the transportation arm would be in requirement of funds for expansion. As a result, the gearing is expected to remain high and could reach to 2.0x in the next 2 years. Higher leverage will arrest Panorama's financial flexibility and thus restrict its ability to further raise funds during the times of exigencies.

Lastly, the company has undertaken a number of projects, more particularly in the hospitality business where it is a new entrant. Panorama, through its agreement with Carlson Rezidor, will be engaging in hotel management using brands Radisson/Park Inn, with an aim to win 20 contracts over the next 5 years. In addition, it will also be building/acquiring hotels to manage and has already raised Rp 50 bn for this venture. It has plans to raise additional funds in the near future for such projects. In ICRA



Indonesia's opinion, these projects have substantial gestation period. Further, these will involve obtaining various approvals, construction of properties, commercialization, etc and are as such subject to cost and time overruns. In case of such overruns, the company's financial risk profile might be impacted adversely on account of increase in cost of debt or requirement of additional debt. Any time delay would also translate into delay in cash accruals from these projects.

Company Profile

PT Panorama Sentrawisata Tbk is a leading tourism and hospitality company in Indonesia. The company has an integrated business, viz tourism inbound (foreigners visiting Indonesia), outbound (domestic tourists visiting other countries), transportation, media (meeting, conventions, exhibitions and publications) and hospitality. The company is listed on the Jakarta Stock Exchange since 2011. As of September 30, 2014, the shareholding comprised PT Panorama Tirta Anugerah (64.25%), DP Konperensi Wali Gereja Indonesia (19.92%), Satrijanto Tirtawisata (2.73%), Adhi Tirtawisata (0.75%) and public (12.35%)

During 9M2014, Panorama reported profit after tax (PAT) of Rp 42.3 bn on net sales of Rp 1.5 tn, contributed up to 71% by outbound, 16.8% inbound, 9.8% transportation and the remaining by other businesses.

November 2014



KEY FINANCIALS

| | | 9M2014 | 2013 | 2012 | 2011 |
|---|--------------|---------|---------|---------|---------|
| Operating Income (OI) | <i>Rp Bn</i> | 1,480.7 | 1,693.7 | 1,547.1 | 1,194.1 |
| OPBDITA | <i>Rp Bn</i> | 165.6 | 183.2 | 133.7 | 94.4 |
| Depreciation | <i>Rp Bn</i> | 74.1 | 80.7 | 59.9 | 44.1 |
| Interest and Finance Expense | <i>Rp Bn</i> | 49.7 | 55.2 | 38.7 | 26.2 |
| Profit After Tax (PAT) | <i>Rp Bn</i> | 42.3 | 47.6 | 32.9 | 22.0 |
| Net Cash Accruals | <i>Rp Bn</i> | 115.3 | 120.8 | 88.3 | 64.9 |
| Total Debt | <i>Rp Bn</i> | 653.8 | 587.5 | 459.3 | 295.2 |
| Tangible Net Worth (ex Minority Interest) | <i>Rp Bn</i> | 258.9 | 231.6 | 198.9 | 178.8 |
| OPBDITA/OI | % | 11.2 | 10.8 | 8.6 | 7.9 |
| PAT/OI | % | 2.9 | 2.8 | 2.1 | 1.8 |
| ROCE | % | 13.9 | 13.1 | 12.9 | 12.2 |
| OI/ Capital Employed | % | 192.3 | 178.1 | 228.9 | 230.6 |
| Total Debt/ Net Worth + MI | (x) | 1.6 | 1.7 | 1.6 | 1.1 |
| Total Debt/ OPBDITA | (x) | 3.0 | 3.2 | 3.4 | 3.1 |
| OPBDITA/Interest and Finance Expenses | (x) | 3.3 | 3.3 | 3.5 | 3.6 |

Note: Amounts in Rp Bn. Some numbers have been adjusted to ICRA Indonesia's standard for adjustment



For further details please contact:

Pradnya Desai
Manager - Analyst
Corporate Ratings
Telephone: (62-21) 576 1516
Email : desai.pradnya@icraindonesia.com

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- (ii) Statistical analysis of public information, confirmed through discussions between ICRA Indonesia and the party being rated, and/or,
- (iii) Analysis of public and non-public-information, acquired during discussions between ICRA Indonesia and the party being rated.