

PT Pan Brothers Tbk

The upgrade of the Long-Term Issuer Default Rating (IDR) and National Long-Term Rating on Indonesia-based PT Pan Brothers Tbk follows the completion of the garment manufacturer's syndication loan and senior unsecured note restructuring on 1 July 2022.

The company extended the maturity of its USD171.1 million 7.625% bond, originally due 2022, by four years and the maturity on its USD138.4 million syndicated loan facility by two years from December 2021. The restructuring's terms include a USD50 million rights issue or a subordinated loan, with the funds required to be held in escrow until corporate action to inject the capital.

The 'CCC-' rating reflects the liquidity pressure that arises from a significant USD124 million syndication loan maturity in December 2023. Fitch Ratings expects Pan Brothers to refinance the loan as we do not think the company will generate sufficient cash flow to repay the loan. We understand that the company has started the refinancing process, although we believe it will take some time.

'CCC' National Ratings denote a very high level of default risk relative to other issuers or obligations in the same country or monetary union.

Key Rating Drivers

Near-Term Debt-Maturity Burden: Pan Brothers has successfully extended the maturity of the bonds and syndication loans through the restructuring. It will still face the near-term USD124 million maturity in December 2023, part of the USD138 million it has drawn from the syndicated loan. The company has started discussions with various banks to refinance the facility. Successful refinancing that extends the maturity would alleviate immediate liquidity constraints.

Negative Cash Flow: We forecast that Pan Brothers' cash flow from operations (CFO) will continue to be negative on its large working-capital requirements. Liquidity pressure is exacerbated by Pan Brothers' maintenance and efficiency capex needs, which we estimate at around USD5 million per annum.

Limited Financial Flexibility: We expect Pan Brothers' ability to obtain additional bank facilities to remain challenging due to banks' diminished appetite to lend to the Indonesian textile sector amid the challenges faced by a number of textile companies, exacerbating the liquidity pressure from Pan Brothers' negative free cash flow (FCF). We understand that some of Pan Brothers' banks have opted to stop lending to the company after its bilateral facilities are repaid.

The company is therefore in discussions with new banks as it seeks to re-establish working-capital lines, which are key to its operations. Only facilities from PT Bank HSBC Indonesia and PT Bank Maybank Indonesia Tbk (AAA(idn)/Stable) among Pan Brothers' previous letter-of-credit facility providers were converted into revolving loans. The company can withdraw the unutilised amounts from the converted loans following a partial repayment of these facilities.

Fresh Capital to Buffer Liquidity: The company's key shareholders are required to place USD50 million in an escrow account with a reputable trustee, which will later be applied towards an equity injection of an equal amount through the rights issue. If the rights issue does not occur by end-December 2022, the USD50 million will need to be provided to Pan Brothers through a subordinated shareholder loan to prevent an event of default.

Ratings

| Rating Type | Rating | Outlook | Last Rating Action |
|---------------------------|-----------|---------|---------------------|
| Long-Term IDR | CCC- | | Upgrade 1 Aug 22 |
| National Long-Term Rating | CCC-(idn) | | Upgrade 1 Aug 22 |

[Click here for full list of ratings](#)

Applicable Criteria

[Corporate Rating Criteria \(October 2021\)](#)
[Sector Navigators: Addendum to the Corporate Rating Criteria \(July 2022\)](#)
[Corporates Recovery Ratings and Instrument Ratings Criteria \(April 2021\)](#)
[Country-Specific Treatment of Recovery Ratings Criteria \(January 2021\)](#)
[National Scale Rating Criteria \(December 2020\)](#)

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We believe the new capital will alleviate Pan Brothers' immediate liquidity pressure from negative FCF. This will leave room for its available cash balance to address around USD31 million in debt it has to repay during 3Q22-3Q23.

Flat Revenue Growth; Stable Margin: Fitch expects Pan Brothers' revenue to stay relatively flat in 2022-2023 (1Q22: 0.8%) as its ability to invest on capacity expansion is limited. We also expect its EBITDA margin to remain stable at 8.5% as some of its cost pressures ease. Pan Brothers' EBITDA margin narrowed to below 8% in 2021 on higher logistics and restructuring-related costs. However, its EBITDA margin recovered to 8.6% in 1Q22 as logistics and restructuring fees fell, although its CFO remained negative at USD5 million.

ESG - Management Strategy: Improvement in its cash generation is dependent on Pan Brothers' strategy development and implementation in terms of working-capital management. Its debt repayment and refinancing capacity relies on its ability to attract new bank lenders beyond its previous and current lenders.

Financial Summary

PT Pan Brothers Tbk

| (USDm) | Dec 2019 | Dec 2020 | Dec 2021 | Dec 2022F | Dec 2023F | Dec 2024F |
|--|----------|----------|----------|-----------|-----------|-----------|
| Gross Revenue | 665 | 685 | 689 | 696 | 703 | 710 |
| Operating EBITDA Margin (%) | 9.3 | 9.9 | 7.9 | 8.5 | 8.5 | 8.5 |
| Free Cash Flow Margin (%) | -4.8 | -6.0 | -1.3 | -1.4 | -1.4 | -1.3 |
| Total Net Debt with Equity Credit/Operating EBITDA (x) | 4.2 | 4.5 | 5.8 | 5.9 | 6.0 | 6.1 |
| Operating EBITDA/Interest Paid (x) | 2.9 | 3.2 | 2.9 | 2.7 | 2.6 | 2.4 |

F - Forecast.

Source: Fitch Ratings, Fitch Solutions

Rating Derivation Relative to Peers

Pan Brothers' rating is driven by its near-term liquidity pressure with the maturity of the USD124 million syndication loan in 4Q23. Fitch believes Pan Brothers' available cash balance and internal cash flow generation are unlikely to be sufficient to meet the repayment schedule.

Rating Sensitivities

Factors that Could, Individually or Collectively, Lead to Positive Rating

Action/Upgrade:

- Improvement in liquidity that includes continued access to bank funding

Factors that Could, Individually or Collectively, Lead to Negative Rating

Action/Downgrade:

- Weakening liquidity, which would be indicated by its inability to access new or extended facilities

Liquidity and Debt Structure

Insufficient Liquidity: Pan Brothers had a USD29 million in available cash balance at end-March 2022 and no available undrawn facility. We estimate that Pan Brothers is unlikely to generate sufficient internal cash flow to repay the USD124 million syndication loan maturing in

December 2023. Pan Brothers will therefore have to rely on raising additional funds to address the maturity.

ESG Considerations

Pan Brothers has an ESG Relevance Score of '5' for Management Strategy due to the impact of its strategy development and implementation in terms of working-capital management and funding. This is a key rating driver and is highly relevant to the ratings in conjunction with other factors.

Unless otherwise disclosed in this section, the highest level of ESG credit relevance is a score of '3'. This means ESG issues are credit-neutral or have only a minimal credit impact on the entity, either due to their nature or the way in which they are being managed by the entity. For more information on Fitch's ESG Relevance Scores, visit www.fitchratings.com/esg

Liquidity and Debt Maturities

Liquidity Analysis

| (USDm) | 31 December 2022 | 31 December 2023 | 31 December 2024 | 31 December 2025 |
|---|---------------------|---------------------|---------------------|---------------------|
| Available Liquidity | | | | |
| Beginning cash balance | 36 | 22 | -126 | -151 |
| Rating case FCF after acquisitions and divestitures | -9 | -10 | -10 | -10 |
| Total available liquidity (A) | 27 | 13 | -135 | -161 |
| Liquidity uses | | | | |
| Debt maturities | -4 | -138 | -16 | -187 |
| Total liquidity uses (B) | -4 | -138 | -16 | -187 |
| Liquidity calculation | | | | |
| Ending cash balance (A+B) | 22 | -126 | -151 | -347 |
| Revolver availability | 0 | 0 | 0 | 0 |
| Ending liquidity | 22 | -126 | -151 | -347 |
| Liquidity score (x) | 6.3 | 0.1 | -8.7 | -0.9 |

Source: Fitch Ratings, PT Pan Brothers Tbk

| Scheduled debt maturities (USDm) | 31 December 2021 |
|-------------------------------------|------------------|
| 2022 | 4 |
| 2023 | 138 |
| 2024 | 16 |
| 2025 | 187 |
| 2026 | 0 |
| Thereafter | 0 |
| Total | 345 |

Source: Fitch Ratings, Company filings, PT Pan Brothers Tbk.

Key Assumptions

Fitch's Key Assumptions within our Rating case for the Issuer:

- Flat revenue growth in 2022-2023
- EBITDA margin of around 8.5% in 2022-2023
- Capex of around USD5 million a year in 2022-2023
- No dividend will be paid in 2022 and 2023

Key Recovery Rating Assumptions

The recovery analysis assumes that Pan Brothers would be reorganised as a going-concern in bankruptcy rather than liquidated. We assume a 10% administrative claim.

Going-Concern Approach

- The going-concern EBITDA estimate reflects Fitch's view of a sustainable, post-reorganisation EBITDA level upon which we base the enterprise valuation.
- We estimate EBITDA at USD62 million to reflect the industry's conditions and competitive dynamics.
- An enterprise value multiple of 5x EBITDA is applied to the going-concern EBITDA to calculate a post-reorganisation enterprise value. The multiple factors in Pan Brothers' customer quality and stable demand despite pandemic disruption. The multiple also considers a discount from the median of around 8x of comparable Asian apparel peers, which are generally larger than Pan Brothers.
- The going-concern enterprise value corresponds to a 'RR3' Recovery Rating for the senior unsecured notes after adjusting for administrative claims. Nevertheless, Fitch has rated the senior unsecured bonds 'CCC-'/ 'RR4' because, under our Country-Specific Treatment of Recovery Ratings Criteria, Indonesia is classified under the Group D of countries in terms of creditor friendliness, and the instrument ratings of issuers with assets located in this group are subject to a soft cap at the issuer's IDR and Recovery Ratings of 'RR4'.

PT Pan Brothers Tbk

| (USDm) | Historical | | | Forecast | | |
|---|------------|--------|--------|----------|---------|---------|
| | Dec 19 | Dec 20 | Dec 21 | Dec 22F | Dec 23F | Dec 24F |
| Summary income statement | | | | | | |
| Gross revenue | 665 | 685 | 689 | 696 | 703 | 710 |
| Revenue growth (%) | 8.8 | 3.0 | 0.7 | 1.0 | 1.0 | 1.0 |
| Operating EBITDA (before income from associates) | 62 | 68 | 55 | 59 | 60 | 60 |
| Operating EBITDA margin (%) | 9.3 | 9.9 | 7.9 | 8.5 | 8.5 | 8.5 |
| Operating EBITDAR | 62 | 68 | 55 | 59 | 60 | 60 |
| Operating EBITDAR margin (%) | 9.3 | 9.9 | 8.0 | 8.5 | 8.5 | 8.5 |
| Operating EBIT | 48 | 55 | 41 | 43 | 43 | 44 |
| Operating EBIT margin (%) | 7.2 | 8.0 | 6.0 | 6.2 | 6.2 | 6.2 |
| Gross interest expense | -21 | -20 | -18 | -21 | -22 | -24 |
| Pretax income (including associate income/loss) | 26 | 26 | 21 | 18 | 17 | 16 |
| Summary balance sheet | | | | | | |
| Readily available cash and equivalents | 64 | 21 | 36 | 66 | 36 | 26 |
| Total debt with equity credit | 313 | 309 | 345 | 396 | 375 | 375 |
| Total adjusted debt with equity credit | 313 | 309 | 345 | 396 | 375 | 375 |
| Net debt with equity credit | 249 | 289 | 309 | 330 | 339 | 349 |
| Summary cash flow statement | | | | | | |
| Operating EBITDA | 62 | 68 | 55 | 59 | 60 | 60 |
| Cash interest paid | -21 | -20 | -18 | -21 | -22 | -24 |
| Cash tax | -3 | -2 | -3 | -3 | -3 | -2 |
| Dividends received less dividends paid to minorities (inflow/(out)flow) | 0 | 0 | -1 | 0 | 0 | 0 |
| Other items before FFO | 0 | -9 | 2 | 0 | 0 | 0 |
| Funds flow from operations | 39 | 38 | 35 | 36 | 35 | 35 |
| FFO margin (%) | 5.9 | 5.6 | 5.1 | 5.2 | 5.0 | 4.9 |
| Change in working capital | -59 | -70 | -40 | -40 | -40 | -39 |
| Cash flow from operations (Fitch defined) | -19 | -32 | -5 | -5 | -5 | -5 |
| Total non-operating/nonrecurring cash flow | 0 | 0 | 0 | | | |
| Capex | -12 | -9 | -4 | | | |
| Capital intensity (capex/revenue) (%) | 1.7 | 1.3 | 0.6 | | | |
| Common dividends | -1 | 0 | 0 | | | |
| Free cash flow | -32 | -41 | -9 | | | |
| Net acquisitions and divestitures | 0 | 0 | 2 | | | |
| Other investing and financing cash flow items | -2 | -1 | -1 | -12 | 0 | 0 |
| Net debt proceeds | 50 | -2 | -2 | 51 | -21 | 0 |
| Net equity proceeds | 0 | 0 | 0 | 0 | 0 | 0 |
| Total change in cash | 17 | -44 | -10 | 30 | -31 | -10 |
| Leverage ratios | | | | | | |
| Total net debt with equity credit/operating EBITDA (x) | 4.2 | 4.5 | 5.8 | 5.9 | 6.0 | 6.1 |
| Total adjusted debt/operating EBITDAR (x) | 5.3 | 4.9 | 6.4 | 7.0 | 6.6 | 6.5 |
| Total adjusted net debt/operating EBITDAR (x) | 4.2 | 4.5 | 5.8 | 5.9 | 6.0 | 6.0 |
| Total debt with equity credit/operating EBITDA (x) | 5.3 | 4.9 | 6.5 | 7.1 | 6.6 | 6.5 |
| FFO adjusted leverage (x) | 5.3 | 5.4 | 6.7 | 7.0 | 6.5 | 6.5 |
| FFO adjusted net leverage (x) | 4.2 | 5.0 | 6.0 | 5.8 | 5.9 | 6.0 |
| FFO leverage (x) | 5.3 | 5.4 | 6.7 | 7.0 | 6.6 | 6.5 |
| FFO net leverage (x) | 4.2 | 5.0 | 6.0 | 5.9 | 6.0 | 6.0 |
| Calculations for forecast publication | | | | | | |
| Capex, dividends, acquisitions and other items before FCF | -12 | -9 | -2 | -5 | -5 | -5 |
| Free cash flow after acquisitions and divestitures | -32 | -41 | -7 | -9 | -10 | -10 |
| Free cash flow margin (after net acquisitions) (%) | -4.8 | -5.9 | -1.0 | -1.4 | -1.4 | -1.3 |
| Coverage ratios | | | | | | |
| FFO interest coverage (x) | 2.9 | 2.9 | 2.8 | 2.7 | 2.6 | 2.4 |
| FFO fixed charge coverage (x) | 2.9 | 2.9 | 2.8 | 2.7 | 2.6 | 2.4 |
| Operating EBITDAR/interest paid + rents (x) | 2.9 | 3.2 | 2.9 | 2.7 | 2.5 | 2.4 |
| Operating EBITDA/interest paid (x) | 2.9 | 3.2 | 2.9 | 2.7 | 2.6 | 2.4 |
| Additional metrics | | | | | | |
| CFO-capex/total debt with equity credit (%) | -9.9 | -13.2 | -2.6 | -2.4 | -2.6 | -2.5 |
| CFO-capex/total net debt with equity credit (%) | -12.4 | -14.1 | -2.9 | -2.9 | -2.8 | -2.7 |

Source: Fitch Ratings, Fitch Solutions

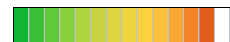
How to Interpret the Forecast Presented

The forecast presented is based on Fitch Ratings' internally produced, conservative rating case forecast. It does not represent the forecast of the rated issuer. The forecast set out above is only one component used by Fitch Ratings to assign a rating or determine a rating outlook, and the information in the forecast reflects material but not exhaustive elements of Fitch Ratings' rating assumptions for the issuer's financial performance. As such, it cannot be used to establish a rating, and it should not be relied on for that purpose. Fitch Ratings' forecasts are constructed using a proprietary internal forecasting tool, which employs Fitch Ratings' own assumptions on operating and financial performance that may not reflect the assumptions that you would make. Fitch Ratings' own definitions of financial terms such as EBITDA, debt or free cash flow may differ from your own such definitions. Fitch Ratings may be granted access, from time to time, to confidential information on certain elements of the issuer's forward planning. Certain elements of such information may be omitted from this forecast, even where they are included in Fitch Ratings' own internal deliberations, where Fitch Ratings, at its sole discretion, considers the data may be potentially sensitive in a commercial, legal or regulatory context. The forecast (as with the entirety of this report) is produced strictly subject to the disclaimers set out at the end of this report. Fitch Ratings may update the forecast in future reports but assumes no responsibility to do so. Original financial statement data for historical periods is processed by Fitch Solutions on behalf of Fitch Ratings. Key financial adjustments and all financial forecasts credited to Fitch Ratings are generated by rating agency staff.

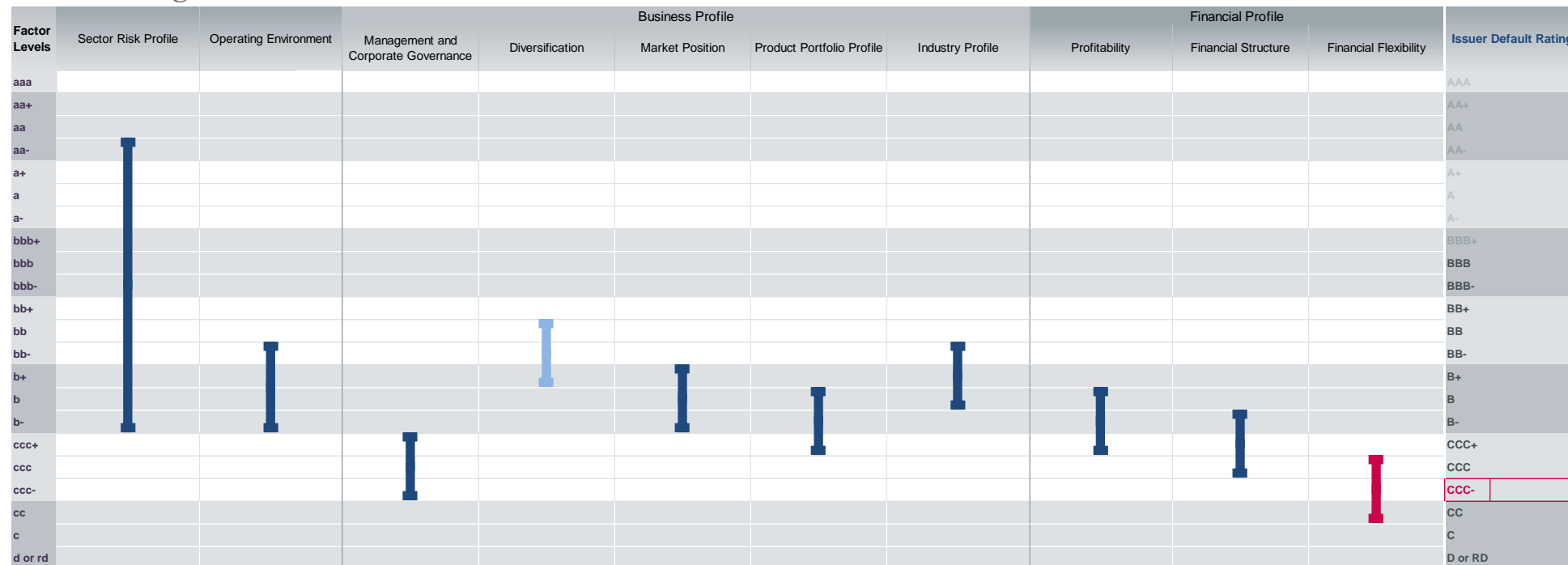
Ratings Navigator

PT Pan Brothers Tbk

ESG Relevance:



Corporates Ratings Navigator
Consumer Products



| Bar Chart Legend: | | | |
|--|--------------------|------------------------------------|----------|
| Vertical Bars = Range of Rating Factor | | Bar Arrows = Rating Factor Outlook | |
| Bar Colours = Relative Importance | | ↑ | Positive |
| ■ | Higher Importance | ↓ | Negative |
| ■ | Average Importance | ↕ | Evolving |
| ■ | Lower Importance | □ | Stable |

Operating Environment

| | | | |
|------|----------------------|-----|---|
| bb | Economic Environment | bbb | Average combination of countries where economic value is created and where assets are located. |
| bb- | Financial Access | b | Weak combination of issuer specific funding characteristics and of the strength of the relevant local financial market. |
| | Systemic Governance | bb | Systemic governance (eg rule of law, corruption; government effectiveness) of the issuer's country of incorporation consistent with 'bb'. |
| b- | | | |
| ccc+ | | | |

Diversification

| | | | |
|-----|--------------|-----|---|
| bb+ | Geographic | bbb | Moderate geographical diversification. |
| bb | Products | b | Single or very limited product focus. |
| bb- | Price Points | bb | Focused on only a couple of price points. |
| b+ | | | |
| b | | | |

Product Portfolio Profile

| | | | |
|------|------------------|----|--|
| b+ | Organic Growth | bb | Products characterized by stagnating demand. |
| b | Brand Strength | bb | Skewed toward weaker or smaller brands. |
| b- | Innovation | b | Limited innovation. |
| ccc+ | Price Leadership | b | Always a price follower. Little ability to command premium prices. |
| ccc | | | |

Profitability

| | | | |
|------|-----------------------------|-----|---|
| b+ | FFO Margin | b | 6% |
| b | EBITDA Margin | b | 7% |
| b- | FCF Margin | ccc | Break-even or loss-making at FCF level. |
| ccc+ | Volatility of Profitability | bbb | Volatility of profit in line with industry average. |
| ccc | | | |

Financial Flexibility

| | | | |
|------|--------------------------|-----|---|
| ccc+ | Financial Discipline | ccc | Financial management has lost much of its discipline, and subject to frequent, sudden changes consistent with a crisis environment. |
| ccc | Liquidity | ccc | No near-term prospect of recovery in liquidity score above 1.0x. All/most funding sources are subject to material execution risk. |
| ccc- | Op. EBITDA/Interest Paid | b | 3.0x |
| cc | FFO Interest Coverage | b | 2.0x |
| c | FX Exposure | a | Profitability potentially exposed to FX but efficient hedging in place. Debt and cash flows well-matched. |

How to Read This Page: The left column shows the three-notch band assessment for the overall Factor, illustrated by a bar. The right column breaks down the Factor into Sub-Factors, with a description appropriate for each Sub-Factor and its corresponding category.

Management and Corporate Governance

| | | | |
|------|------------------------|-----|--|
| b- | Management Strategy | ccc | Strategy visibly failing, major transformation required to avoid company failure, with no better than even chance of success. |
| ccc+ | Governance Structure | bb | Board effectiveness questionable with few independent directors. "Key person" risk from dominant CEO or shareholder. |
| ccc | Group Structure | bb | Complex group structure or non-transparent ownership structure. Related-party transactions exist but with reasonable economic rationale. |
| ccc- | Financial Transparency | b | Defective financial reporting. Aggressive accounting policies. |
| cc | | | |

Market Position

| | | | |
|------|-----------------------|----|---|
| bb- | Scale | b | EBITDA <\$100 million |
| b+ | Market Share | b | Small player in niche or narrow category, with low or declining market share. |
| b | Distribution Channels | bb | Reliance on limited distribution channels or weak positioning relative to direct peers. |
| b- | | | |
| ccc+ | | | |

Industry Profile

| | | | |
|-----|----------------------|-----|--|
| bb | Competition | bbb | Generally healthy competition with periodic irrational promotional activity pressuring sector profits. Some product categories have material private label presence. |
| bb- | Volatility of Demand | bb | Demand volatility somewhat higher than the economic cycle. |
| b+ | Seasonality | b | High seasonality to profit or cash flow. |
| b | | | |
| b- | | | |

Financial Structure

| | | | |
|------|--|-----|------------------|
| b | FFO Leverage | b | 5.5x |
| b- | FFO Net Leverage | b | 5.0x |
| ccc+ | Total Debt With Equity Credit/Op. EBITDA | b | 6.0x |
| ccc | Total Net Debt With Equity Credit/Op. EBITDA | b | 5.5x |
| ccc- | (CFO-Capex)/Total Debt With Equity Credit | ccc | Flat to Negative |

Credit-Relevant ESG Derivation

| | | | | Overall ESG | |
|--|---|---------------------|---|-------------|---|
| PT Pan Brothers Tbk has 1 ESG key rating driver and 7 ESG potential rating drivers | | | | | |
| → | Strategy development and implementation | key driver | 1 | issues | 5 |
| → | Impact of product packaging; supply chain management - products | driver | 0 | issues | 4 |
| → | Product quality and safety | potential driver | 7 | issues | 3 |
| → | Impact of labor negotiations and employee (dis)satisfaction | | | | |
| → | Shift in consumer preferences | not a rating driver | 3 | issues | 2 |
| → | Board independence and effectiveness; ownership concentration | | 3 | issues | 1 |

Showing top 6 issues

Credit-Relevant ESG Derivation

PT Pan Brothers Tbk has 1 ESG key rating driver and 7 ESG potential rating drivers

- ➡ PT Pan Brothers Tbk has exposure to strategic risk which, on an individual basis, has a significant impact on the rating.
- ➡ PT Pan Brothers Tbk has exposure to waste & impact management risk and supply chain management risk but this has very low impact on the rating.
- ➡ PT Pan Brothers Tbk has exposure to product quality & safety risk but this has very low impact on the rating.
- ➡ PT Pan Brothers Tbk has exposure to labor relations & practices risk but this has very low impact on the rating.
- ➡ PT Pan Brothers Tbk has exposure to shifting consumer preferences but this has very low impact on the rating.
- ➡ PT Pan Brothers Tbk has exposure to board independence risk but this has very low impact on the rating.

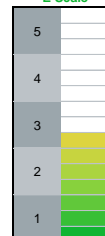
Showing top 6 issues

| | | | | Overall ESG Scale | |
|---------------------|---|--------|---|-------------------|--|
| key driver | 1 | issues | 5 | | |
| driver | 0 | issues | 4 | | |
| potential driver | 7 | issues | 3 | | |
| not a rating driver | 3 | issues | 2 | | |
| | 3 | issues | 1 | | |

Environmental (E)

| General Issues | E Score | Sector-Specific Issues | Reference |
|--|---------|---|--|
| GHG Emissions & Air Quality | 1 | n.a. | n.a. |
| Energy Management | 2 | Energy use by products | Business Profile; Financial Structure; Financial Flexibility; Profitability |
| Water & Wastewater Management | 2 | Water usage in operations | Diversification; Profitability |
| Waste & Hazardous Materials Management; Ecological Impacts | 3 | Impact of product packaging; supply chain management - products | Diversification; Business Profile; Profitability; Financial Structure; Financial Flexibility |
| Exposure to Environmental Impacts | 2 | Manufacturing facilities and inventory exposure to extreme weather events | Operational Scale; Profitability; Financial Structure; Financial Flexibility |

E Scale



How to Read This Page

ESG scores range from 1 to 5 based on a 15-level color gradation. Red (5) is most relevant and green (1) is least relevant.

The Environmental (E), Social (S) and Governance (G) tables break out the individual components of the scale. The right-hand box shows the aggregate E, S, or G score. General Issues are relevant across all markets with Sector-Specific Issues unique to a particular industry group. Scores are assigned to each sector-specific issue. These scores signify the credit-relevance of the sector-specific issues to the issuing entity's overall credit rating. The Reference box highlights the factor(s) within which the corresponding ESG issues are captured in Fitch's credit analysis.

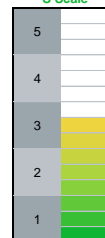
The Credit-Relevant ESG Derivation table shows the overall ESG score. This score signifies the credit relevance of combined E, S and G issues to the entity's credit rating. The three columns to the left of the overall ESG score summarize the issuing entity's sub-component ESG scores. The box on the far left identifies the some of the main ESG issues that are drivers or potential drivers of the issuing entity's credit rating (corresponding with scores of 3, 4 or 5) and provides a brief explanation for the score.

Classification of ESG issues has been developed from Fitch's sector ratings criteria. The General Issues and Sector-Specific Issues draw on the classification standards published by the United Nations Principles for Responsible Investing (PRI) and the Sustainability Accounting Standards Board (SASB).

Social (S)

| General Issues | S Score | Sector-Specific Issues | Reference |
|--|---------|---|--|
| Human Rights, Community Relations, Access & Affordability | 1 | n.a. | n.a. |
| Customer Welfare - Fair Messaging, Privacy & Data Security | 3 | Product quality and safety | Business Profile; Profitability; Financial Structure; Financial Flexibility |
| Labor Relations & Practices | 3 | Impact of labor negotiations and employee (dis)satisfaction | Operational Scale; Industry Profile; Profitability; Financial Structure; Financial Flexibility |
| Employee Wellbeing | 1 | n.a. | n.a. |
| Exposure to Social Impacts | 3 | Shift in consumer preferences | Operational Scale; Business Profile; Profitability; Financial Structure; Financial Flexibility |

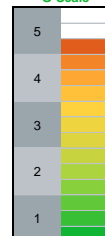
S Scale



Governance (G)

| General Issues | G Score | Sector-Specific Issues | Reference |
|------------------------|---------|---|-------------------------------------|
| Management Strategy | 5 | Strategy development and implementation | Management and Corporate Governance |
| Governance Structure | 3 | Board independence and effectiveness; ownership concentration | Management and Corporate Governance |
| Group Structure | 3 | Complexity, transparency and related-party transactions | Management and Corporate Governance |
| Financial Transparency | 3 | Quality and timing of financial disclosure | Management and Corporate Governance |

G Scale

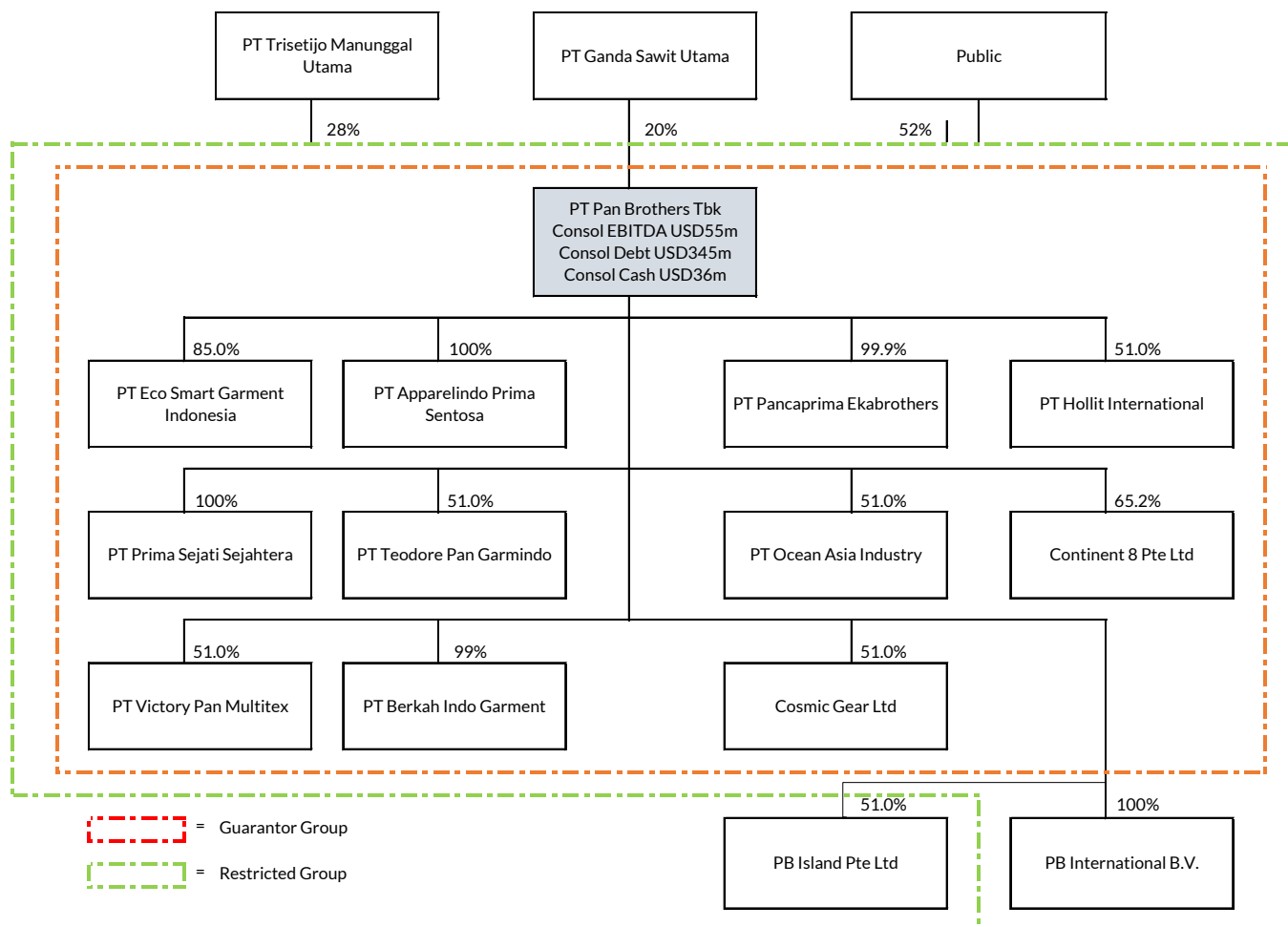


CREDIT-RELEVANT ESG SCALE

How relevant are E, S and G issues to the overall credit rating?

| | | |
|---|--|---|
| 5 | | Highly relevant, a key rating driver that has a significant impact on the rating on an individual basis. Equivalent to "higher" relative importance within Navigator. |
| 4 | | Relevant to rating, not a key rating driver but has an impact on the rating in combination with other factors. Equivalent to "moderate" relative importance within Navigator. |
| 3 | | Minimally relevant to rating, either very low impact or actively managed in a way that results in no impact on the entity rating. Equivalent to "lower" relative importance within Navigator. |
| 2 | | Irrelevant to the entity rating but relevant to the sector. |
| 1 | | Irrelevant to the entity rating and irrelevant to the sector. |

Simplified Group Structure Diagram



As of December 2021
Source: Fitch Ratings, Pan Brothers

Peer Financial Summary

| Company | Issuer Default Rating | Financial Statement Date | Gross Revenue (USDm) | Operating EBITDA Margin (%) | Free Cash Flow Margin (%) | Total Net Debt with Equity Credit/Operating EBITDA (x) | Operating EBITDA/Interest Paid (x) |
|----------------------------|-----------------------|--------------------------|----------------------|-----------------------------|---------------------------|--|------------------------------------|
| PT Pan Brothers Tbk | CCC- | | | | | | |
| | RD | 2021 | 689 | 7.9 | -1.3 | 5.8 | 2.9 |
| | CCC- | 2020 | 685 | 9.9 | -6.0 | 4.5 | 3.2 |
| | B | 2019 | 665 | 9.3 | -4.8 | 4.2 | 2.9 |
| PT Sri Rejeki Isman Tbk | RD | | | | | | |
| | RD | 2021 | 848 | -47.0 | -52.1 | -3.5 | -10.3 |
| | BB- | 2020 | 1,283 | 18.0 | -11.5 | 3.7 | 4.0 |
| | BB- | 2019 | 1,182 | 19.6 | -4.5 | 3.1 | 3.2 |
| PT Agung Podomoro Land Tbk | CCC | | | | | | |
| | CCC | 2021 | 297 | 26.2 | 2.4 | 9.0 | 1.0 |
| | CCC+ | 2020 | 340 | 34.9 | 1.2 | 6.0 | 1.5 |
| | CCC+ | 2019 | 267 | 30.7 | -13.5 | 8.4 | 1.1 |

Source: Fitch Ratings, Fitch Solutions.

Fitch Adjusted Financials

| (USDm) | Notes and Formulas | Reported Values | Sum of Adjustments | Other Adjustments | Adjusted Values |
|---|----------------------|-----------------|--------------------|-------------------|-----------------|
| 31 December 2021 | | | | | |
| Income Statement Summary | | | | | |
| Revenue | | 689 | | | 689 |
| Operating EBITDAR | | 55 | | | 55 |
| Operating EBITDAR After Associates and Minorities | (a) | 54 | | | 54 |
| Operating Lease Expense | (b) | 0 | | | 0 |
| Operating EBITDA | (c) | 55 | | | 55 |
| Operating EBITDA After Associates and Minorities | (d) = (a-b) | 53 | | | 53 |
| Operating EBIT | (e) | 41 | | | 41 |
| Debt and Cash Summary | | | | | |
| Total Debt with Equity Credit | (f) | 312 | 33 | 33 | 345 |
| Lease-Equivalent Debt | (g) | 0 | | | 0 |
| Other Off-Balance-Sheet Debt | (h) | 0 | | | 0 |
| Total Adjusted Debt with Equity Credit | (i) = (f+g+h) | 312 | 33 | 33 | 345 |
| Readily Available Cash and Equivalents | (j) | 36 | | | 36 |
| Not Readily Available Cash and Equivalents | | 0 | | | 0 |
| Cash Flow Summary | | | | | |
| Operating EBITDA After Associates and Minorities | (d) = (a-b) | 53 | | | 53 |
| Preferred Dividends (Paid) | (k) | 0 | | | 0 |
| Interest Received | (l) | 2 | | | 2 |
| Interest (Paid) | (m) | -18 | | | -18 |
| Cash Tax (Paid) | | -3 | | | -3 |
| Other Items Before FFO | | -168 | 170 | 170 | 2 |
| Funds from Operations (FFO) | (n) | -135 | 170 | 170 | 35 |
| Change in Working Capital (Fitch-Defined) | | 130 | -170 | -170 | -40 |
| Cash Flow from Operations (CFO) | (o) | -5 | | | -5 |
| Non-Operating/Nonrecurring Cash Flow | | 0 | | | 0 |
| Capital (Expenditures) | (p) | -4 | | | -4 |
| Common Dividends (Paid) | | 0 | | | 0 |
| Free Cash Flow (FCF) | | -9 | | | -9 |
| Gross Leverage (x) | | | | | |
| Total Adjusted Debt/Operating EBITDARa | (i/a) | 5.8 | | | 6.4 |
| FFO Adjusted Leverage | (i)/(n-m-l-k+b) | -2.6 | | | 6.7 |
| FFO Leverage | (i-g)/(n-m-l-k) | -2.6 | | | 6.7 |
| Total Debt with Equity Credit/Operating EBITDAa | (i-g)/d | 5.9 | | | 6.5 |
| (CFO-Capex)/Total Debt with Equity Credit (%) | (o+p)/(i-g) | -2.9% | | | -2.6% |
| Net Leverage (x) | | | | | |
| Total Adjusted Net Debt/Operating EBITDARa | (i-j)/a | 5.1 | | | 5.8 |
| FFO Adjusted Net Leverage | (i-j)/(n-m-l-k+b) | -2.3 | | | 6.0 |
| FFO Net Leverage | (i-g-j)/(n-m-l-k) | -2.3 | | | 6.0 |
| Total Net Debt with Equity Credit/Operating EBITDAa | (i-g-j)/d | 5.2 | | | 5.8 |
| (CFO-Capex)/Total Net Debt with Equity Credit (%) | (o+p)/(i-g-j) | -3.3% | | | -2.9% |
| Coverage (x) | | | | | |
| Operating EBITDAR/(Interest Paid + Lease Expense)a | a/(-m+b) | 2.9 | | | 2.9 |
| Operating EBITDA/Interest Paida | d/(-m) | 2.9 | | | 2.9 |
| FFO Fixed-Charge Coverage | (n-l-m-k+b)/(-m-k+b) | -6.4 | | | 2.8 |
| FFO Interest Coverage | (n-l-m-k)/(-m-k) | -6.5 | | | 2.8 |

^a EBITDA/R after dividends to associates and minorities.
 Source: Fitch Ratings, Fitch Solutions, Company filings, PT Pan Brothers Tbk.

Recovery Worksheet

Recovery Analysis

| | |
|-----------------------|---------------------|
| Issuer Name | PT Pan Brothers Tbk |
| Issuer Default Rating | CCC- |
| Sector | Consumer Products |
| Statement Date | 31 December 2021 |
| Currency | USD |
| Scale | (m) |

| | |
|--|------------|
| Going Concern Enterprise Value | |
| Going Concern EBITDA | 62 |
| EBITDA Multiple (x) | 5.0 |
| Additional Value from Affiliates, Minority Interest, Other | - |
| Going Concern Enterprise Value | 310 |
| Enterprise Value for Claims Distribution | |
| Greater of Going Concern Enterprise or Liquidation Value | 310 |
| Less Administrative Claims | 31.0 |
| Total Enterprise Value | 279 |

| | | | | |
|--|-------------------------------|-------------------|-------------------------|-------------------------------|
| | Liquidation Value (LV) | Book Value | Advance Rate (%) | Available to Creditors |
| Cash | | 29 | 0 | - |
| Accounts Receivable | | 137 | 75 | 102 |
| Inventory | | 225 | 50 | 112 |
| Net Property, Plant and Equipment | | 88 | 50 | 44 |
| LV of Off Balance Sheet Assets | | - | 100 | - |
| Additional Value from Affiliates, Minority Interest, Other | | - | 100 | - |
| Total Liquidation Value | | | | 259 |

Distribution of Value

| Priority | Amount | Concession Allocation | Value Recovered | Recovery (%) | Recovery Rating | Notching | Rating |
|------------------|--------|-----------------------|-----------------|--------------|-----------------|----------|--------|
| Senior Secured | 172 | 0 | 172 | 100 | RR1 | +3 | B- |
| Senior Unsecured | 170 | 0 | 107 | 63 | RR3 | +1 | CCC |

Source: Fitch Ratings, Fitch Solutions

B+/B/B-/CCC Table

| Considerations | B+ | B | B- | CCC+ | CCC | CCC- | CC | Trend | Fitch's View |
|--------------------------------|-------------------------|---------------------------------|----------------------|----------------------------|---------------------|---------------------------------|--|-------|---|
| Business Model | Robust | Sustainable | Intact | Redeemable | Compromised | Disrupted | Irredeemable | ◀▶ | Pan Brothers' core operating assets and market position have survived the restructuring and the pandemic. |
| Strategy/ Execution Risk | Limited | Moderate | Meaningful | Challenging yet achievable | Uncertain | Highly speculative | Not credible | ◀▶ | Return to positive CFO hinges on renegotiations with its lenders and buyers. The latter include large global retailers with greater bargaining power. |
| Cash Flow | Consistently positive | Neutral to positive | Volatile | Mostly negative | Constantly negative | Accelerating cash outflow | Irreversible outflow | ◀▶ | FCF will remain negative due to negative CFO despite minimal capex. |
| Leverage Profile | Clear deleveraging path | Deleveraging capacity | High but sustainable | Significant outlier | Unsustainable | Disproportionate and increasing | Unrecoverable | ◀▶ | Pan Brothers' negative FCF necessitates continued access to bank funding to close the liquidity gap. |
| Governance Financial Policy | Committed | Some commitment to deleveraging | Aggressive | Ineffective | Uncommitted | Hostile | Inevitable balance-sheet restructuring | ◀▶ | USD50 million new equity from shareholder will alleviate short-term liquidity pressure. However, this is insufficient to cover medium-term liquidity needs. |
| Refinancing Risk | Limited | Manageable | High | Off-market options | Excessive | Unavailable | Imminent | ◀▶ | Pan Brothers' access bank funding is negatively influenced by lenders' sentiment towards the Indonesian textile industry. |
| Liquidity | Comfortable | Satisfactory | Limited | Minimal headroom | Poor/partly funded | Unfunded | De facto insolvent | ◀▶ | Pan Brothers' cash flow generation and available cash balance are unlikely to be sufficient to address the 4Q23 syndication loan maturity. |
| CONCLUSION | CCC- | | | | | | | | |

Source: Fitch Ratings

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