

Debt Restructuring Of PT. Barito Pacific Timber Tbk. (BRPT)

On February 25, 2005, Barito Pacific Timber had signed MOU with Commerzbank International Trust (Singapore) (CITS). As written in the MOU, it was agreed that PT. Barito Pacific Timber will issue Exchangeable Bond (EB) which will be exchanged with 39.55% stakes in Musi Hutan Persada (MHP), 40% stakes in Tanjung Enim Lestari Pulp & Paper (TEL), other *cost overrun support, cash deficiency support* and all interests payable to CITS.

Following the submission of Exchangeable Bond, Commerzbank International Trust (CITS) will submit Barito's debt of US\$ 210,886,058 and Cash of US\$ 5,000,000, on March 31, 2005.

The value of assets or underlying value of Exchangeable Bond (EB) amounted to Rp1.310trillion (more than 10% of company's annual revenues) or exceeds the company's 20% equity, based on financial report as of October 2004.

The Exchangeable Bond (EB) could be exchanged with assets since the former was issued on March 31, 2005 up to end of exchange period on June 30, 2006

Impact Of Restructuring

- ❑ After the restructuring, the company's equity increased from (Rp580billion) to Rp1.521trillion or BVS of Rp581/share. Total debt declined by Rp2.42trillion to Rp1.44trillion.
- ❑ Barito is in the mature stage of its industry. Despite reduction in BRPT's interest expenses, we are not convinced of its future performance.
- ❑ Fundamental wise, the restructuring will reduce the company's debt burden but the operational risk issues still persist.

The Bond Structures

The Exchangeable Bond (EB) is issued in five series:

1. Seri A Bond

Value : US\$ 61,854,203 million
Due Date : 31 December 2012

If the bond could not be exchanged within the exchange period (March 31, 2005 – June 30, 2006), then the following rules applied:

- a. Final Redemption Premium of EB seri A is 56.62% of the initial amount.
- b. The company has the rights as first buyer to buy the bond after the exchange date is exceeded. The company will give compensation in the form of premium of 5.96% per annum.
- c. If the company fails to pay EB seri A, then the bond will be converted into shares of Barito Pacific (based on average closing price for three months before the conversion date) with maximum addition of 23.774% of company's capital.

2. Seri B Bond

Value : US\$ 39,984,859 million
Due Date : 30 June 2012
Interest : Sibor + 2,5% (2006-2007)
Sibor + 3% (2008)
Sibor + 3,5% (2009)
Sibor + 4% (2010 – 2012)

Starting June 30, 2006, the bond will be paid 7.5% of EB seri B's initial amount for the first payment up to twelfth payment, while the thirteenth payment will be paid 10% of initial amount. Bonds interests up to June 30, 2006 will be capitalized by the company through the issuance of new bonds with interest of Sibor + 2,5%.

3. Seri C Bond

Value : US\$ 30,543,565 million
Due Date : 30 September 2013
Interest : Sibor + 2,5% (2006-2013)

Starting June 30, 2006, EB seri C is payable every year for five years with payment of 20% of initial amount of EB Seri C.

Bonds interests up to June 30, 2006 will be capitalized by the company through the issuance of new bonds with interest of Sibor + 2,5%.

4. Seri D Bond

Value : US\$ 78,503,431 million
 Due Date : 31 December 2015
 Interest : Sibor + (premium to be determined on July1, 2006)

Starting December 31, 2013, EB seri D is payable every year for three years with payment of 33% of initial amount of EB Seri D for the first and second year and 34% for the third year.

Bonds interests up to June 30, 2006 will be capitalized by the company through the issuance of new bonds with interest of Sibor + 2,5%.

5. Seri E Bond

Value : US\$ 5,000,000 million
 Due Date : 30 June 2010
 Interest : Sibor + 2,5%

Starting June 30, 2006, EB bond seri E is payable every year for five years with payment of 20% of initial amount of EB Seri E. EB seri E has interest of Sibor + 2,5%, starting on July 1, 2006 and payable every semester.

Effect of Restructuring Of PT Barito Pacific Timber Tbk. (BRPT)

	Before Restructuring Audited	After Restructuring Unaudited
Current Assets	499,140	1,379,562
Non Current Assets	2,779,878	1,579,869
Total Assets	3,279,018	2,959,431
Current Liabilities	1,634,513	930,802
Non Current Liabilities	2,223,445	505,548
Minority Interests	1,731	1,731
Equity (Capital Deficiency)	(580,671)	1,521,350
Total Liabilities and Equities	3,279,018	2,959,431
Profit & Loss		
Sale	1,080,610	1,080,610
Gross Profit	210,111	210,111
Operating Loss	34,207	34,207
Net Profit (Loss)	(150,551)	1,075,704
EPS	(58)	411
BVPS	(222)	581
Ratios		
Current Ratio	0.31	1.48
Debt to Equity Ratio (DER)	(6.7)	0.95
PER	(22.3)	3.1
PBV	(5.8)	2.2

Source: Company

Organizational Structure

After the debt restructuring, the company temporarily does not own 39.55% stakes of PT MHP (Musi Hutan Persada) and 40% stakes of PT. Tanjung Enim Lestari.

Based on book value as of September 2004, Barito Pacific ownership of 39.55% stakes in MHP & PT.Tanjung Enim Lestari amounted to Rp303.28billion. The transaction of Rp1.3trillion made Barito Pacific to record Gain from Investment of +/- Rp.1 trillion.

Conclusion

Of the financial statement, after the restructuring, the company's equity increased from (Rp580billion) to Rp1.521trillion or BVS of Rp581/share at Rp1280/share. Barito is traded with PBV of 2.2x while EPS after the restructuring is Rp.441/share, PER after restructuring at 2.9x.

Of the similar companies listed in JSX, it could be seen that DSUC (Daya Sakti Unggul Indah) has similar line of business. Currently, DSUC is traded with PER 29x and PBV 04 of 2.57x. From PER and PBV point of view, Barito is still very attractive. Barito is in the mature stage of its industry. Despite reduction in BRPT's interest expenses, we are not convinced of its future performance.

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