Aldira | Bond Teaser Report

PT Indah Kiat Pulp & Paper Tbk · INKP IJ | 27 July 2026

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Bond Instrument	
Issuer	PT Indah Kiat Pulp & Paper Tbk (INKP)
Instrument	Senior Unsecured IDR Bonds, USD Bonds & Mudharabah Sukuk
Rating	idA+/idA+(sy) (Pefindo); irAA/irAA(sy) (KRI)
Shelf Programme	Continuous Public Offering (Shelf Registration)
Bonds (Phase II)	Sustainability Bonds VI Phase III 2026 (IDR)
Sukuk Mudharabah (Phase III)	Sustainability Mudharabah Sukuk V Phase III 2026 (IDR)
USD Bonds (Phase III)	Sustainability USD Bonds III Phase II 2026
Series A (3Y) - Indicative	IDR Bonds Coupon/Sukuk Yield: 9.50%–10.00%; USD Bonds Coupon: 6.25%–6.75%
Series B (5Y) – Indicative	IDR Bonds Coupon/Sukuk Yield: 10.00%–10.50%; USD Bonds Coupon: 6.50%–7.25%
Collateral	Unsecured (no specific collateral)
Listing	Indonesia Stock Exchange (IDX)
Rating Agency	PT Pemeringkat Efek Indonesia (Pefindo) and PT Kredit Rating Indonesia (KRI)

Key Credit Statistics (1Q26)	
Revenue	USD 816.3 Mn
Net Profit (attributable)	USD 156.1 Mn
EBITDA	USD 212.0 Mn
Total Interest-Bearing Debt	USD 4,452.7 Mn
Cash & Equivalents	USD 593 Mn
Current Ratio	2.7x
Debt / Equity	0.6x
ROE / ROA	2.2% / 1.2%
Interest Coverage (EBIT/Int. Exp.)	2.8x

All figures in USD unless otherwise stated. Source: INKP Audited Consolidated Financial Statements FY25; Pefindo Rating Summary Mar-2026; Aldiracita Research

Sinar Mas/APP's Largest Integrated Producer, Priced Fairly on the Group Curve

PT Indah Kiat Pulp & Paper Tbk (INKP) is Indonesia's largest integrated pulp and paper producer and one of the largest in Asia, operating four production facilities across Perawang (Riau), Serang and Tangerang (Banten), and Karawang (West Java) following the February 2026 start-up of Phase 1. Capacity spans around 3.1mn tpa pulp, 1.6mn tpa cultural paper, 4.7mn tpa industrial paper, and 108,000 tpa tissue. INKP is 57.46%-owned by PT APP Purinusa Ekapersada under the Sinar Mas/Asia Pulp & Paper (APP) Group, giving it shared raw-material sourcing, integrated logistics, and capital-markets execution alongside APP flagships.

Investment Highlights

Leading Integrated Producer

INKP is one of Indonesia's largest fully integrated pulp and paper producers and serves as the principal operating entity within the Asia Pulp & Paper (APP) group. The company operates across the entire value chain—from pulp production to the manufacturing of industrial paper, packaging board, cultural paper, and tissue product; allowing it to capture economies of scale and maintain a competitive cost structure. Vertical integration reduces reliance on third-party pulp suppliers, enhances supply chain resilience, and provides greater flexibility in managing raw material costs, supporting stable profitability throughout industry cycles.

Strong Market Position

INKP benefits from a leading position in both the domestic and export markets, supported by an extensive distribution network and long-standing customer relationships. Its diversified product portfolio serves a broad range of end markets, including packaging, consumer goods, publishing, and industrial applications. The company's significant export footprint across Asia, the Middle East, Europe, and the Americas reduces dependence on any single geographic market and enhances revenue diversification, while its established market presence and operational scale strengthen pricing power and competitive positioning relative to regional peers..

Resilient Cash Flow Generation

Despite exposure to cyclical pulp and paper prices and foreign exchange fluctuations, INKP has consistently demonstrated resilient operating cash flow generation supported by its vertically integrated business model, diversified customer base, and export-oriented operations. Strong operating cash flows provide sufficient coverage for capital expenditures, working capital requirements, and debt servicing obligations. The company maintains a prudent financial profile, characterized by adequate liquidity, moderate leverage, and continued access to domestic and international funding markets, supporting financial flexibility and reinforcing its investment-grade credit profile.

idA+ Rating Anchored by Group Scale and Diversified Segment Mix

INKP carries an idA+ rating from Pefindo and an irAA corporate rating from KRI, reflecting its strong business profile as the largest single-company integrated pulp and paper producer within the Asia Pulp & Paper (APP) group. In FY25, INKP reported net profit attributable to owners of **USD453.3 million**, translating into a solid **14.3% net profit margin**, despite continued volatility in global pulp and paper markets. Its financial profile remains conservative, supported by a **2.70x current ratio**, indicating ample short-term liquidity, and a modest **interest-bearing debt-to-equity ratio of 0.69x**, providing adequate financial flexibility to fund capital expenditures while maintaining credit metrics consistent with its investment-grade rating.

Subscribe · Senior Unsecured (IDR): 8.50%–9.50%; Senior Unsecured (USD): 6.00%–7.00% – idAA (Pefindo)

INKP's credit profile is underpinned by its leading market position in Indonesia's pulp and paper industry, vertically integrated operations, and strong export diversification, which support resilient EBITDA generation across business cycles. Credit strengths include a competitive cost position, healthy operating cash flow, and adequate liquidity, while leverage remains commensurate with the current rating category despite ongoing capital expenditures. Key rating sensitivities include exposure to cyclical global pulp and paper prices, foreign exchange volatility, and execution risk associated with expansion investments. Nevertheless, the company's established market franchise, disciplined financial policy, and continued access to domestic and international funding markets provide sufficient financial flexibility to support its investment-grade credit profile.

Instrument Summary

Exhibit: Obligasi Berkelanjutan (IDR and USD) Indah Kiat Pulp and Paper Phase III Tahun 2026 and Sukuk Mudharabah Berkelanjutan (IDR and USD) Indah Kiat Pulp & Paper Phase III Tahun 2026 — Term Sheet

IDR Bonds and Sukuk Mudharabah	Indicative Structure
Issuer	PT Indah Kiat Pulp & Paper Tbk
Security Name	Obligasi Berkelanjutan VI Indah Kiat Pulp & Paper Tahap III Tahun 2026 & Sukuk Mudharabah Berkelanjutan V Indah Kiat Pulp & Paper Tahap III Tahun 2026
Industry	Pulp, Cultural Paper, Industrial Paper and Tissue
Instrument	Rupiah Bonds & Sukuk Mudharabah
Offering Type	Public Offering under a Shelf Registration (Penawaran Umum Berkelanjutan)
Rating	idA+ (Single A Plus) and irAA (Double A Flat) for the Bonds; idA+(sy) (Single A Plus Syariah) and irAA(sy) (Double A Flat Syariah) for the Sukuk
Principal Amount	Bonds (IDR): up to IDR1,500,000,000,000 (IDR1.5tn)Sukuk (IDR): up to IDR1,500,000,000,000 (IDR1.5tn)
Tenor & Indicative Coupon – Series A	3 Years: 9.50%–10.00%
Tenor & Indicative Coupon – Series B	5 Years: 10.00%–10.50%
Collateral	Unsecured, no specific collateral (Tidak dijamin dengan jaminan khusus)
Use of Proceeds – Bonds (IDR)	Repayment of the Company's debt and working capital
Use of Proceeds – Sukuk (IDR)	Refinancing and working capital for the Company's business activities
Coupon Payment	Every 3 (three) months
Principal Repayment	Paid in full at maturity
Rating Agencies	PT Pemeringkat Efek Indonesia (Pefindo); PT Kredit Rating Indonesia (KRI)
Listing	Indonesia Stock Exchange (IDX)

Source: IDX Disclosure, INKP Prospectus, Aldiracita Research

IDR Bonds and Sukuk Mudharabah	Indicative Structure
Issuer	PT Indah Kiat Pulp & Paper Tbk
Security Name	Obligasi USD Berkelanjutan III Indah Kiat Pulp & Paper Tahap II Tahun 2026
Industry	Pulp, Cultural Paper, Industrial Paper and Tissue
Instrument	Senior US Dollar Bonds
Offering Type	Public Offering under a Shelf Registration (Penawaran Umum Berkelanjutan)
Rating	idA+ (Single A Plus) and irAA (Double A Flat)
Principal Amount	up to USD25,000,000 (USD25.0mn)
Tenor & Indicative Coupon – Series A	3 Years: 6.25%–6.75%
Tenor & Indicative Coupon – Series B	5 Years: 6.50%–7.25%
Collateral	Unsecured
Use of Proceeds	Repayment of the Company's debt and working capital
Coupon Payment	Every 3 (three) months
Principal Repayment	Paid in full at maturity
Rating Agencies	PT Pemeringkat Efek Indonesia (Pefindo); PT Kredit Rating Indonesia (KRI)
Listing	Indonesia Stock Exchange (IDX)
Issuer	PT Indah Kiat Pulp & Paper Tbk

Source: IDX Disclosure, INKP Prospectus, Aldiracita Research

Exhibit: Indicative Timetable

Milestone	Dates (Tentative)
Bookbuilding Period (Masa Penawaran Awal)	27 July – 11 August 2026
Estimated Public Offering Period	28–31 August 2026
Estimated Allotment Date	1 September 2026
Estimated Payment Date from Investors	2 September 2026
Estimated Payment Date to Issuer	3 September 2026
Estimated Distribution Date	3 September 2026
Estimated Listing Date (IDX)	4 September 2026

All dates are tentative (Tentative) per the Company's indicative timetable and subject to change. This timetable relates to the USD Bond Tahap II issuance. Source: INKP Indicative Term Sheet / Prospektus Ringkas (Jul 2026); Aldiracita Research.

Priced In Line With the Company's Own Repriced Curve

The proposed Phase III coupon ranges of 9.50%–10.00% (3Y) and 10.00%–10.50% (5Y) are broadly consistent with INKP's outstanding bond curve following the repricing of the Indonesian corporate credit market. As of 22 July 2026, INKP's outstanding 3-year and 5-year bonds were trading at approximately 9.04% and 9.37% YTM, respectively. The proposed pricing therefore represents a curve-consistent issuance rather than a material concession or premium relative to the issuer's existing secondary market levels. The higher absolute yield environment primarily reflects the broad repricing of domestic corporate credit spreads since September 2025, during which investment-grade idA/idA+ issuers experienced an estimated 200–275 bps upward shift in required yields. Against this backdrop, the proposed coupons offer investors an opportunity to gain exposure to an established investment-grade credit at pricing that is aligned with prevailing market conditions while remaining consistent with INKP's secondary market valuation. The transaction is therefore expected to provide fair value to both the issuer and investors without disrupting the company's existing credit curve.

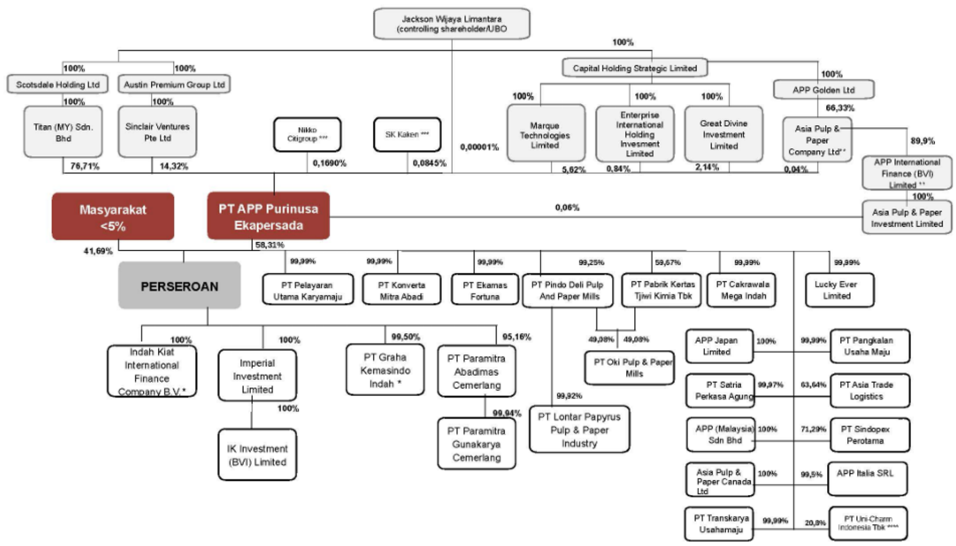
Company Overview

PT Indah Kiat Pulp & Paper Tbk (INKP) was established on 7 December 1976 in Tangerang, Banten, and began commercial production in 1979. The Company is Indonesia's largest integrated pulp and paper producer and one of the largest in Asia, operating four production facilities across Perawang (Riau), Serang (Banten), Tangerang (Banten), and, following the February 2026 start-up of Phase 1, Karawang (West Java), manufacturing pulp, cultural paper, industrial paper, and tissue. INKP is 57.46%-owned by PT APP Purinusa Ekapersada, part of the Sinar Mas/Asia Pulp & Paper (APP) Group, ultimately controlled by Mr. Jackson Wijaya Limantara (UBO effective 13 January 2025). This group structure gives INKP access to shared raw-material sourcing, integrated logistics, and capital-markets execution alongside APP flagships including PT OKI Pulp & Paper Mills, Pindo Deli, Lontar Papyrus and Tjiwi Kimia.

Sinar Mas / APP Group Backing

INKP sits at the centre of the same multi-layered Sinar Mas/APP ownership structure as its sister companies: Scotsdale Holding Ltd and Austin Premium Group Ltd sit above Titan (MY) Sdn Bhd and Sinclair Ventures Pte Ltd, which in turn hold PT APP Purinusa Ekapersada, INKP's direct parent. Board and management personnel are extensively cross-appointed across Indah Kiat, Tjiwi Kimia, Pindo Deli, Lontar Papyrus and OKI Pulp & Paper Mills, providing operational continuity and a track record of coordinated capital-markets access across the group.

Exhibit: Shareholder Structure



Source: Company Disclosure; Aldiracita Research

Governance & Leadership Continuity

The Board of Directors is led by President Director Hendra Jaya Kosasih, in the role since 2017, supported by Vice President Director Suhendra Wiriadinata and a bench of long-tenured Directors, several with over 20 years at the Company and concurrent roles across the wider APP Group. The Board of Commissioners is chaired by President Commissioner Dr. Saleh Husin and includes multiple Independent Commissioners providing oversight of related-party transactions and audit matters.

Integrated Scale & Operations

INKP is Indonesia's largest integrated pulp and paper producer and one of the largest in Asia, operating four production facilities across Perawang (Riau), Serang (Banten), Tangerang (Banten), and, following the February 2026 start-up of Phase 1, Karawang (West Java), manufacturing pulp, cultural paper, industrial paper, and tissue. In terms of capacity, INKP operates approximately 3.1mn tpa pulp, 1.6mn tpa cultural paper, 4.7mn tpa industrial paper, and 108,000 tpa tissue. This positions INKP among the largest single-company integrated pulp/paper producers in Asia, with the addition of Karawang's 2.4mn tpa Phase 1 capacity in February 2026 further extending its industrial paper footprint, and reflecting continued capacity investment even as leverage remains a rating constraint.

Business Model & Industry

INKP's core business spans the full pulp and paper value chain, encompassing wood-based container and pulp manufacturing, cultural paper, corrugated paper and boxboard, paper and carton packaging, tissue, paper and paperboard goods, and related basic chemical production, including chlor-alkali and other inorganic and general basic chemicals, alongside paper mill machinery manufacturing. In our view, this vertically integrated scope, spanning from basic chemical inputs through to finished packaging and tissue products, is a structural cost and quality advantage relative to those that rely on third-party pulp or chemical supply. The Company also engages in trading activities, including wholesale distribution on a fee or contract basis and printing and publishing services, which we see as a modest but complementary revenue stream rather than a core earnings driver.

FY2025 revenue was broadly balanced across all three, with pulp the largest single contributor at 33.9% of net sales, followed closely by cultural paper at 33.6% and industrial paper/tissue at 32.4%, a materially more diversified mix than pure-play regional peers. Total net sales have declined for three consecutive years, from USD4.0bn in FY22 to USD3.17bn in FY25, reflecting a broader pulp/paper ASP down-cycle, though management expects the mix to shift toward industrial paper from FY26F as the new Karawang facility ramps up.

Exhibit: Net Sales by Segment (USDmn)

Segment	FY2022	FY2023	FY2024	FY2025
Pulp	1,215.6	1,096.5	1,019.6	1,074.5
Cultural Paper	1,339.6	1,278.5	1,164.8	1,066.6
Industrial Paper & Tissue	1,447.5	1,104.1	1,011.3	1,030.1
Total Net Sales	**4,002.6**	**3,479.0**	**3,195.7**	**3,171.3**

Source: INKP Audited FS FY2022-2025; Aldiracita Research

Supporting business activities include wholesale trading on a commission or contract basis, utilization of plantation forest wood for production purposes, limestone and gypsum quarrying, and port management operations. We view the plantation wood and quarrying activities as directly supporting raw material security for the Company's own pulp and chemical operations, while the port management business provides logistics control over export shipments, a meaningful consideration given INKP's export-oriented revenue base.

Karawang Ramp-Up Tilts the Mix Toward Industrial Paper

The February 2026 start-up of Karawang Phase 1 added 2.4mn tpa of industrial paper capacity in a single stroke, nearly doubling INKP's legacy industrial paper platform and positioning the segment to become the Company's largest by FY27F as packaging and tissue demand continues to outpace the structural decline in graphic paper. In more detailed, the Company operates production facilities at three locations: Perawang (Riau), Tangerang, and Serang (Banten). Output spans pulp, tissue, and a broad range of paper products, including writing and printing paper (both coated and uncoated), photocopy paper, and industrial paper such as linerboard and corrugated medium. Downstream conversion capabilities extend to corrugated shipping containers converted from containerboard, boxboard, food packaging, and colored paper. We view this breadth of product form, from base paper through converted packaging, as a key differentiator versus single-product regional peers, supporting more stable blended margins across the pulp price cycle.

Export & Market Mix

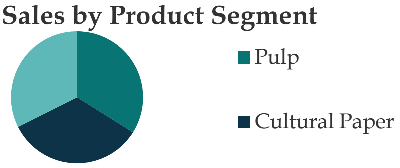
Export sales represented approximately 55% of FY2025 revenue, concentrated in Asia, with smaller contributions from the Americas, Europe, the Middle East, Australia and Africa. This export-heavy, USD-denominated revenue base provides a natural hedge against IDR depreciation, making INKP a structural beneficiary of a weaker Rupiah, while exposing margins.

Segment Margin (as of FY25)

Segment	USDmn
Pulp	1074.9
Cultural Paper	1065.5
Industrial Paper, Tissue & Others	1027.4

Source: INKP Financial Statement and Disclosure,; Aldiracita Research

FY2025 Net Sales by Product Segment



Industry Outlook

Pulp & Tissue Demand Outlook

Asia pulp/tissue/packaging demand is projected to grow through 2028, with tissue the fastest-growing sub-segment. INKP's positioning as a large, integrated, export-oriented producer leaves it well placed to capture this growth, though pricing remains tied to the global pulp cycle. Additionally, Global market pulp operating rates averaged 88–90% over the twelve months to April 2026. Packaging and tissue remain the clearest structural growth engines; graphic paper continues its structural decline from digital substitution. INKP's diversified mix spans both ends of this spectrum, tilting toward growth as Karawang ramps up

Competitive Landscape

Competition includes both domestic and overseas producers, with periodic dumping-allegation risk in export markets. INKP has already had the proven abilities and solid track record to compete upon product quality, distribution and price, leaning on Sinar Mas/APP group scale and integration.

Sustainability & Regulatory Tailwinds

OKI's certifications (PEFC, VLK, Green Industry, carbon footprint tracking) and the group's broader sustainability push support continued access to ESG-conscious buyers in Europe and other developed export markets.

SWOT Analysis

STRENGTHS	WEAKNESSES
+ Largest integrated scale in the region – approximately 3.1mn tpa pulp, 1.6mn tpa cultural paper, 4.7mn tpa industrial paper capacity. + Strong Sinar Mas/APP Group backing – shared sourcing, logistics and cross-directorships + Diversified product mix – no single segment exceeds 34% of FY25 revenue + Comfortable liquidity – 2.70x current ratio, 0.69x interest-bearing debt/equity + Export-oriented, USD-denominated revenue (~55% of FY25 sales) hedges IDR depreciation	- Revenue decline for three straight years – USD4.0bn (FY22) to USD3.17bn (FY25) - Elevated capex during the Karawang build – FY25 capex of USD796.7mn drove net cash flow to -USD544.8mn. - Modest returns – ROE 6.6%, ROA 3.7%, interest coverage 2.20x in FY25 - Cultural paper exposure to structural digital-substitution decline
OPPORTUNITIES	**THREATS**
+ Karawang Phase 1 ramp-up – 2.4mn tpa of new industrial paper capacity + Tightening global BHK pulp supply supporting a recovering pricing cycle into FY26F–27F + Resilient packaging and tissue demand from e-commerce and hygiene awareness + Group synergies with OKI, Lontar Papyrus and Tjiwi Kimia	- Pulp/paper price cyclicality tied to the global commodity cycle - FX mismatch – meaningfully USD-denominated debt against a partly domestic-cost base - Rising domestic funding costs – BI's tightening cycle repriced the interest rate to be potentially higher - Structural decline in graphic/cultural paper demand from digital substitution

Bond Market Overview

Global Market Update: A Confluence of Shocks Has Repriced the Curve Further

Since our last cross-check, the Indonesian rates backdrop has deteriorated on three separate fronts simultaneously. The Bab el-Mandeb blockade compounding the existing Hormuz disruption pushed Brent above USD100/bbl in late July, dragging UST 10Y to a fresh 18-month high of 4.70% and lifting September Fed hike odds above 80%. More consequentially, Houthi forces imposed a naval blockade on Saudi shipping through the Bab el-Mandeb strait effective 20 July 2026, targeting the very Red Sea route Saudi Arabia had been using as its primary workaround for the Hormuz closure. With both of the Kingdom's main export corridors now under simultaneous threat, Brent crude surged 7% to close at USD100.69/bbl on 23 July, its highest level since before the brief US-Iran truce and its third-largest monthly gain in a decade.

Indonesia's own trade data corroborate the disruption independently: the May-26 migas deficit more than doubled YoY (-USD1.53bn to -USD3.76bn) as crude exports fell to zero and oil product imports surged 99.5% YoY. The rate-market reaction has been sharp: UST 10Y jumped to 4.70%, its highest level since January 2025, and Fed funds futures now price an 80%+ probability of a September hike, up from 52% a week earlier. BOJ and ECB have held a broadly hawkish stance through the shock.

Indonesia: Inflation Near BI's Ceiling, First Trade Deficit in 72 Months

June CPI rose to 3.34% YoY (May: 3.08%), just 16bp below BI's 3.5% ceiling, with only around two thirds of the Pertamax pass through reflected so far. At the 21 to 22 July RDG, Bank Indonesia held the BI Rate at 5.75%, defying consensus for a 25bp hike to 6.00%, following cumulative tightening of 100bp since May. May's trade balance had already flipped to the first deficit in 72 months (USD1.61bn), with the January to May cumulative surplus down 74% YoY to USD4.03bn, and we expect the fresh oil price spike to compound the same import bill pressure into the June and July data. The Rupiah remains under pressure after only partially recovering from its 8 June low. GoB yields have risen sharply year to date: 3Y up 197bp to 7.20%, 5Y up 158bp to 7.13% (as of 1 July 2026), the direct transmission channel through which BI's cumulative 100bp hike now reaches the curve issuers price against.

Indonesia: BI Governor's Surprise Resignation Adds a Fresh Layer of Uncertainty

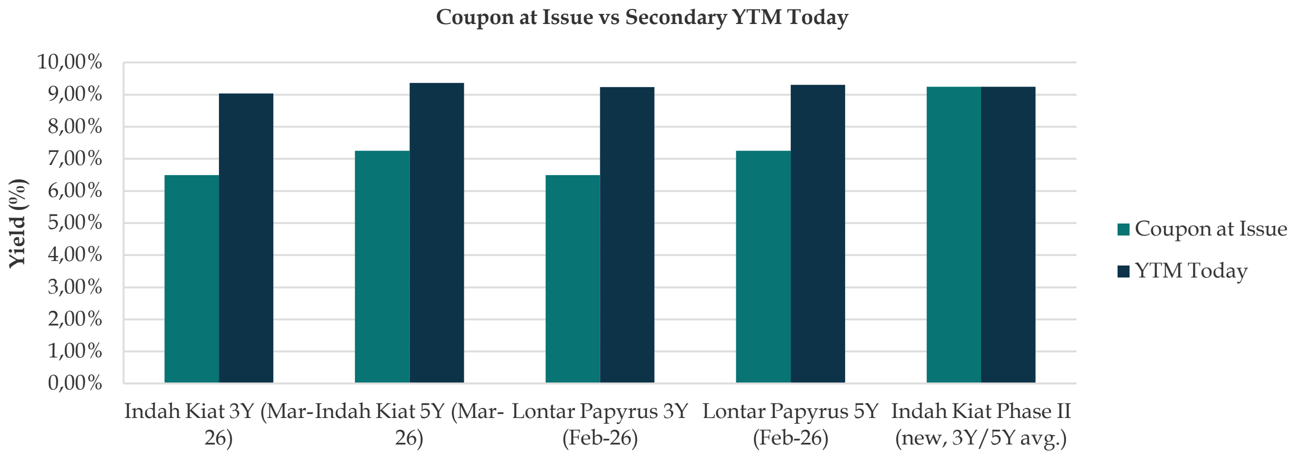
At the 21–22 July RDG, Bank Indonesia held the BI-Rate at 5.75%, defying consensus for a 25bp hike to 6.00%, after a cumulative 100bp of tightening since May. JISDOR closed at Rp17,909 on 22 July on the back of that decision. In a genuinely market-moving development, Governor Perry Warjiyo abruptly resigned on 27 July 2026, citing personal reasons, after seven years leading the central bank; Senior Deputy Governor Destry Damayanti has been named Acting Governor pending a permanent successor requiring parliamentary approval. The Rupiah weakened to as much as Rp17,980–17,993 on the news, government bond yields rose roughly 4bp on the open, and the JCI fell as much as 0.8%, flagging the abrupt, mid-term nature of the exit as a fresh source of policy-continuity and central-bank-independence risk premium on top of the existing rate uncertainty.

Corporate Bond Market: The A-Family Has Repriced Sharply in 2026

The PHEI aggregate corporate effective yield index has risen from a 7.07% low on 21 September 2025 to 8.80% as of 2 July 2026, a 170bp move over roughly nine months. At the issuer level, the repricing is stark. Indah Kiat's own Feb/Mar-26 3Y and 5Y prints, carrying 6.50% and 7.25% coupons respectively, now trade at 9.0% to 9.4% YTM in secondary, a 200 to 275bp move in three to four months, which we attribute to the broader GoB curve repricing rather than any issuer-specific credit deterioration. The same pattern holds across the wider idA/idA+ universe, including Bumi, Energi Mega Persada, Merdeka Battery, Provident, RMK, Trimegah, Wahana Inti Selaras and Summarecon, all now clustered at around 8.9% to 9.5% YTM regardless of original coupon. Against that backdrop, we view INKP's own Phase II print, priced at 9.00% for the 3Y tranche and 9.50% for the 5Y tranche, as landing almost exactly on top of where its own outstanding paper is already clearing in secondary. In our assessment this reflects fair, curve-consistent pricing rather than a rich or cheap outlier, and we would characterize the modest gap versus where the broader A-family trades today as a sensible primary premium rather than evidence of mispricing.

Outlook: We Expect Continued Volatility Through the Leadership Transition, With Limited Near Term Relief

Looking ahead, we see two catalysts that will determine whether the current repricing stabilizes or extends. First, the appointment of a permanent BI Governor, which requires parliamentary approval and could take weeks to months, will be watched closely by the market as a signal of policy continuity; until that is resolved, we would treat BI's reaction function as carrying wider than normal uncertainty. Second, any further escalation or de-escalation on the Hormuz and Bab el-Mandeb fronts will remain the dominant swing factor for oil-linked inflation expectations and, by extension, the pace of any further BI tightening. Against this backdrop, we do not expect a near term relief window for Indonesian corporate credit spreads, and we would view issuers pricing new paper in the coming weeks, including INKP's own outstanding series, as likely to face a somewhat higher cost of funds than the levels reflected in our most recent exhibits, all else equal.



Source: PHEI Fair Spread, 1 July 2026; Aldiracita Research

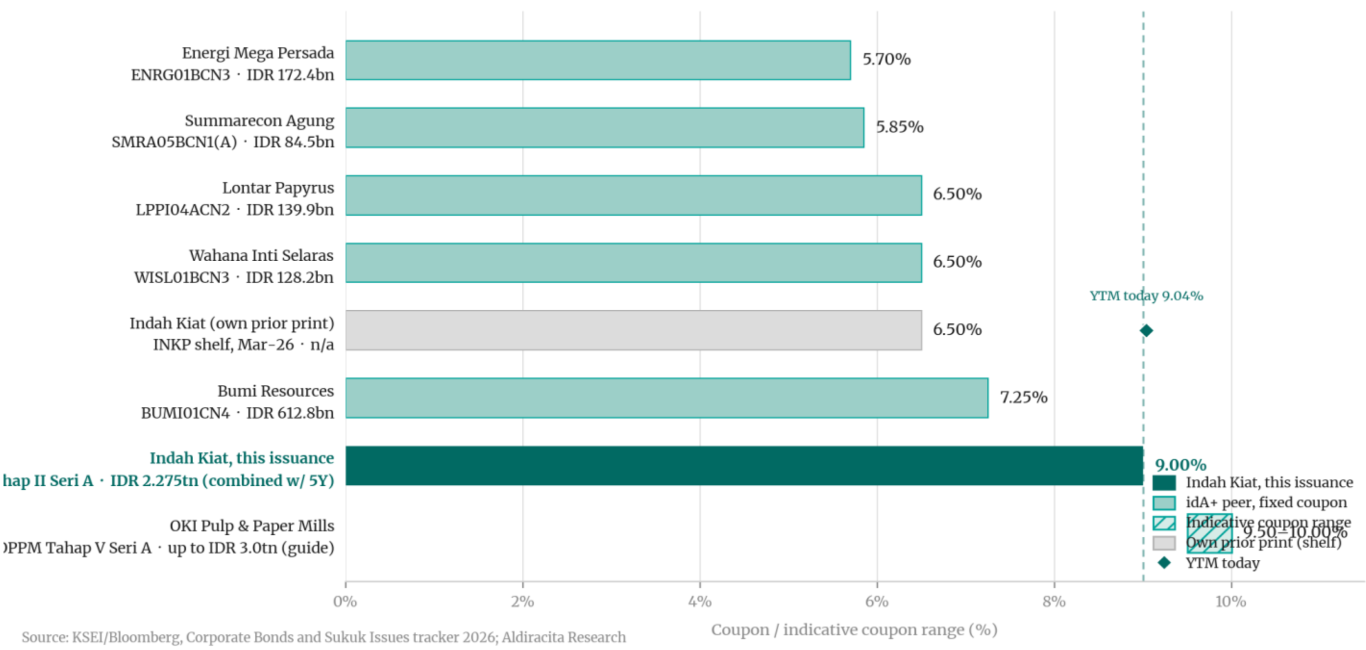
Exhibit: PHEI Fair Spread by Rating Notch, 1Y/3Y/5Y (bps vs. GoB, 1 July 2026)

Rating	AA 1Y	AA 3Y	AA 5Y	5Y−1Y	Key Event	Implication
idA+	136	150	160	+24bp (5Y-1Y)	INKP's own rating	Fair-value ~8.70% (3Y) / ~8.73% (5Y)
idA	186	207	223	+37bp (5Y-1Y)	One notch below	~57-63bp wider than idA+
idA-	235	264	288	+53bp (5Y-1Y)	Two notches below	~114-128bp wider than idA+
idBBB+	**283**	**322**	**373**	**+72bp (5Y-1Y)**	**Three notches below**	**~147-195bp wider than idA+**

Source: PHEI Fair Spread2026; Aldiracita Research

Exhibit: Comparable idA+ Family Issuances · 3Y Tenor

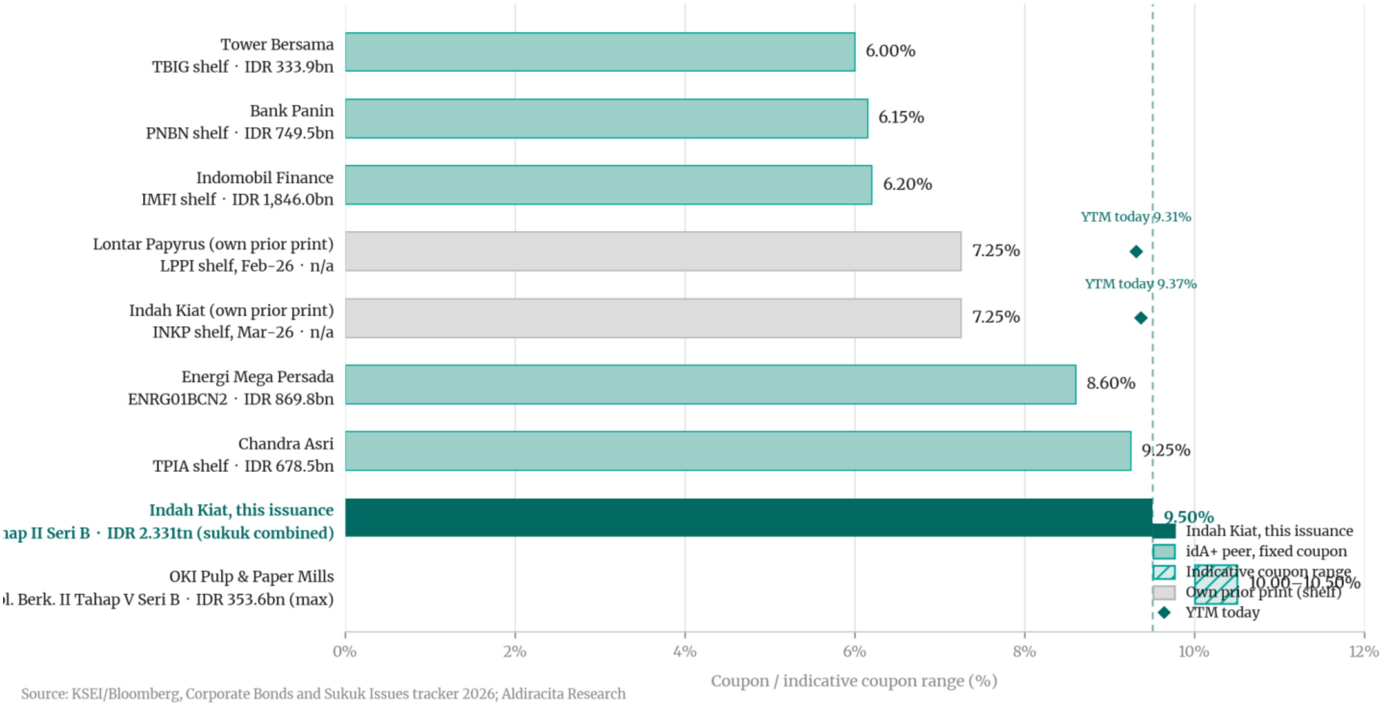
Coupon on idA+ rated corporate bonds and sukuk. Indah Kiat's new issuance is highlighted; shelf re-openings also show their yield to maturity in the market today.



Source: KSEI/Bloomberg, Corporate Bonds and Sukuk Issues tracker 2026; Aldiracita Research

Exhibit: Comparable idA+ Family Issuances · 5Y Tenor

Coupon on idA+ rated corporate bonds and sukuk. Indah Kiat's new issuance is highlighted; shelf re-openings also show their yield to maturity in the market today.

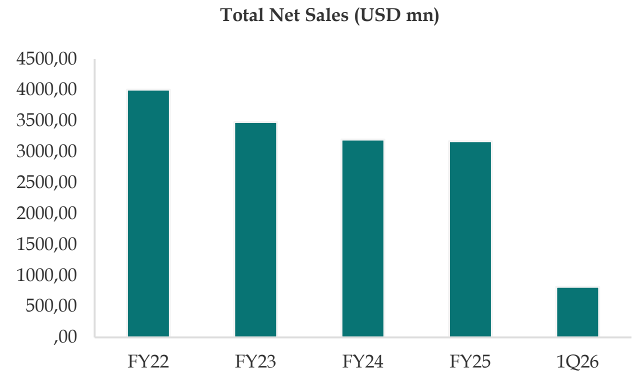


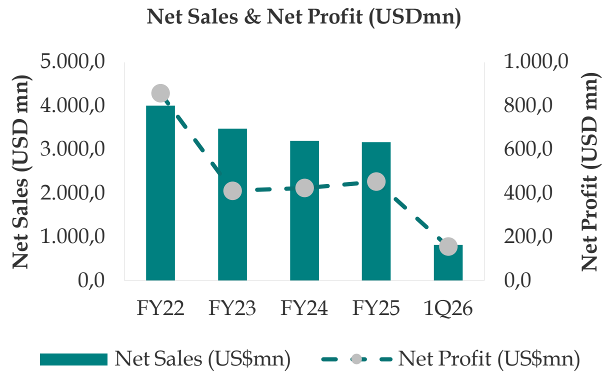
Source: KSEI/Bloomberg, Corporate Bonds and Sukuk Issues tracker 2026; Aldiracita Research

Financial Overview

Revenue: Margin Recovery Following a Three-Year Down-Cycle

Net sales have declined for three consecutive years; from USD4,002.6mn (FY22) to USD3,171.3mn (FY25), down 0.8% in FY25 alone – as pulp and paper pricing normalized from the FY2022 post-pandemic supercycle peak. Gross margin compressed sharply from 39.7% (FY22) to 31.9% (FY24) as pricing fell faster than costs, before recovering modestly to 32.2% in FY25. Net profit fell 52.0% in FY23 (the sharpest single-year move in the series) before partially recovering in FY24-25, up a combined +10.3% over two years. FY22 should be read as a supercycle peak year, not a normal baseline.





Source: INKP Audited FS FY2022-2025; INKP 1Q26's Disclosure, Aldiracita Research

Leverage Has Climbed Steadily Since FY22

Interest-bearing debt/equity has trended higher since FY22: 0.60x (FY22) to 0.58x (FY23) to 0.72x (FY24) to 0.69x (FY25), as heavy capex on the Karawang expansion (USD1,282.6mn in FY24, USD796.7mn in FY25) was increasingly funded with debt rather than internal cash generation. Interest coverage has compressed from 4.62x (FY22) to 2.20x (FY25) as the debt stack and higher benchmark rates both weighed on debt-service capacity. This is the direct rationale for continued reliance on capital-markets access, including this issuance, rather than a purely growth-funded capital structure.

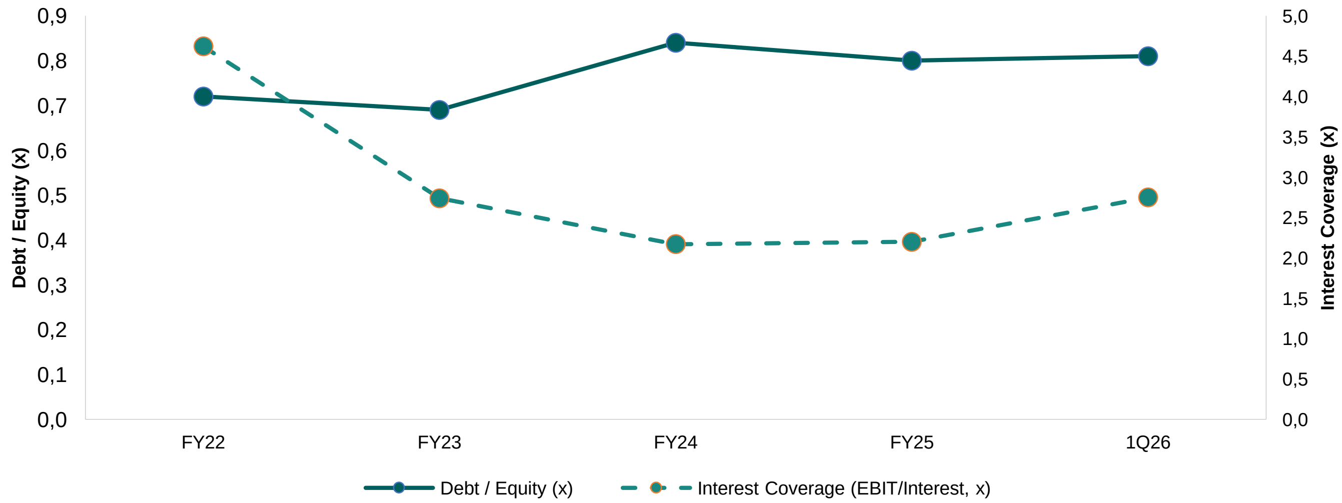


Exhibit: Financial Summary (USDmn unless stated)

	FY22	FY23	FY24	FY25	1Q26
Income Statement Summary					
Net Sales	4,002.6	3,479.0	3,195.7	3,171.3	816.3
Gross Profit	1,589.9	1,132.0	1,018.6	1,021.8	281.9
Operating Profit	1,138.0	787.7	652.9	667.8	197.0
Net Profit	857.5	411.5	424.3	453.3	156.1

	FY22	FY23	FY24	FY25	1Q26
Balance Sheet Summary					
Total Assets	9,640.7	10,125.2	11,777.1	12,347.4	12,653.6
Total Liabilities	4,035.5	4,125.2	5,368.8	5,503.6	5,653.9
Total Equity	5,605.2	6,000.1	6,408.2	6,843.8	6,999.7
CFO	405.8	862.7	309.0	830.4	166.2

Source: INKP Audited FS FY2022-2025, Aldiracita Research

FY25 Operating Cash Flow Recovery, Financing Pulls Back

Net cash from operating activities rose sharply to USD830.4mn in FY25 from USD309.0mn in FY24 (receipts from customers increased to USD3,488.8mn from USD3,046.3mn), a working-capital-driven recovery that tracked the modest 6.8% improvement in net profit over the same period. Investing activities absorbed more cash, however, at -USD1,565.1mn (FY24: -USD1,255.8mn) as the Karawang capex programme continued to ramp, while financing activities pulled back sharply to USD186.1mn (FY24: USD1,293.7mn) as the Company raised materially less new debt than in the prior year's larger capex-funding round. Net cash consequently fell by USD544.8mn in FY25 despite the operating cash flow recovery — underscoring that the swing was driven by the investing/financing mix rather than a deterioration in underlying profitability or collections.

Exhibit: Leverage Summary (USDmn unless stated)

Item	FY22	FY23	FY24	FY25	1Q26
Total Assets	9,640.7	10,125.2	11,777.1	12,347.4	12,653.6
Total Liabilities	4,035.5	4,125.2	5,368.8	5,503.6	5,653.9
Liabilities / Equity (x)	0.72x	0.69x	0.84x	0.80x	0.81x
Liabilities / Assets (x)	0.42x	0.41x	0.46x	0.45x	0.45x
Interest Coverage (EBIT/Interest, x)	4.62x	2.74x	2.17x	2.20x	2.75x

Source: INKP Disclosures and Audited Consolidated Financial Statements FY2022–FY2025; Aldiracita Research

Management Structure

Board of Directors

Name	Position	Background
Hendra Jaya Kosasih	President Director	Long-serving APP Group executive; ex-President Director of Lontar Papyrus and VP Director of INKP (1997–2017). Currently also President Director of PT OKI Pulp & Paper Mills. President Director of INKP since 2017.
Suhendra Wiriadinata	Vice President Director	Ex-President Director of PT OKI Pulp & Paper Mills (2017–2021); currently also President Director of TKIM. Overseeing Finance since 2019.
Didi Harsa Tanaja	Director – Gen. Affairs & Admin.	Joined INKP in 1989, one of the longest-serving board members.
Agustian R. Partawidjaja	Director – HRD	Leads Corporate Communications & PR for Sinar Mas Group since 2000; ex-Director/Corp. Sec. of TKIM.
Kurniawan Yuwono	Director – Accounting & Supply Chain	Joined APP Group in 1997; also Director of PT Uni-Charm Indonesia.

Board of Commissioners

Name	Position	Background
Dr. Saleh Husin	President Commissioner	Former Indonesia's Minister of Industry (2014–2016); currently Managing Director of Sinar Mas Group. Also President Commissioner of TKIM.
Andrie Setiawan Yapsir	Vice President Commissioner	Ex-McKinsey & Company. Currently President Director of PT APP Purinusa Ekapersada — INKP's controlling shareholder.
Sukirta Mangku Djaja	Commissioner	Nearly four decades leading the Tax Division at INKP/APP Group. Commissioner since 2014.
Kosim Sutiono	Commissioner	Career in pulp and paper finance; ex-CFO/Director of Pindo Deli.
Dr. Ir. Rizal Affandi Lukman	Independent Commissioner	Ex-Deputy Minister for International Economic Cooperation; Indonesia's Sherpa to the G20. Chairs INKP's Audit Committee.

Source: INKP Annual Report FY2025; Aldiracita Research

Key Risks

Pulp & Paper Price Cyclicality and FX Mismatch. INKP's earnings are directly exposed to global pulp and paper price cycles. With ~55% of FY25 revenue USD-denominated against a meaningfully USD-denominated debt stack, currency and commodity cycles compound rather than offset one another in a downturn.

Karawang Execution Risk & Elevated Leverage. FY25 capex of USD796.7mn on the Karawang build drove net cash flow to -USD544.8mn and cash down to USD1,224.4mn, while interest-bearing debt/equity rose to 0.69x. Karawang Phase 2 construction has been postponed indefinitely.

Group-Concentration & Related-Party Dependence. INKP's operations, funding, and governance are deeply intertwined with the wider Sinar Mas/APP ecosystem. This is also a credit support factor, but any group-level stress could spill over into INKP's own funding costs.

Appendix: Financial Statements (FY2022-FY2025, USDmn)

Exhibit A: Income Statement

Item	FY22	FY23	FY24	FY25	1Q26
Net Sales	4,002.6	3,479.0	3,195.7	3,171.3	816.3
Cost of Revenue	2,412.7	2,347.0	2,177.1	2,149.5	534.4
Gross Profit	**1,589.9**	**1,132.0**	**1,018.6**	**1,021.8**	**281.9**
Gross Margin %	39.7%	32.5%	31.9%	32.2%	34.5%
Operating Expenses	451.9	344.3	365.7	354.0	84.9
Operating Profit (EBIT)	**1,138.0**	**787.7**	**652.9**	**667.8**	**197.0**
Interest Income	15.7	32.7	51.9	59.0	2.9
Interest Expense	(246.3)	(287.9)	(300.9)	(303.0)	(71.6)
Net Profit	**857.5**	**411.5**	**424.3**	**453.3**	**156.1**
Net Margin %	20.0%	13.7%	10.2%	14.2%	19.1%
Basic EPS (USD)	0.1570	0.0750	0.0780	0.0830	0.0285

Exhibit B: Key Financial Ratios

Item	FY22	FY23	FY24	FY25	1Q26
Growth Ratios (%)					
Net Sales Growth	13.8%	-13.1%	-8.1%	-0.8%	4.3%
Net Profit Growth	62.9%	-52.0%	+3.1%	+6.8%	11.4%
Total Assets Growth	7.4%	+5.0%	+16.3%	+4.8%	2.5%
Total Liabilities Growth	-4.2%				2.7%
Profitability Ratios (%)					
Gross Margin	39.7%	32.5%	31.9%	32.2%	34.5%
Net Margin	20.0%	13.7%	10.2%	14.2%	19.1%
Return on Equity (ROE)	14.3%	6.9%	5.1%	6.6%	2.2%
Return on Assets (ROA)	8.3%	4.7%	2.8%	3.7%	1.2%
Liquidity and Leverage Ratios (x)					
Current Ratio	2.45x	2.65x	2.69x	2.70x	2.69x
Net Debt/EBITDA	1.50x	2.02x	3.27x	3.95x	4.20x
Debt / Equity (x)	0.60x	0.58x	0.72x	0.69x	0.68x
Net Debt / Equity (x)	0.37x	0.34x	0.45x	0.51x	0.60x
EBITDA / Interest Expense (x)	5.65x	3.53x	2.91x	2.92x	3.50x

Source: PT Indah Kiat Pulp & Paper Tbk and Subsidiaries, Audited Consolidated Financial Statements FY2022–FY2025; Aldiracita Research.

Exhibit C: Balance Sheet

Item	FY22	FY23	FY24	FY25	1Q26
Assets					
Cash and Cash Equivalents	1,265.4	1,400.0	1,769.4	1,224.4	592.9
Trade Receivables - net	1,819.9	1,695.3	1,843.6	1,530.3	1,569.3
Other Receivables - net	5.8	9.1	10.6	6.9	4.0
Inventories	486.5	369.6	415.7	414.7	418.3
Prepaid Taxes	21.6	31.8	64.0	59.2	35.6

Item	FY22	FY23	FY24	FY25	1Q26
Prepaid Expenses	69.5	106.9	41.7	71.0	62.4
Advances	741.3	719.4	751.8	676.1	714.5
Other Current Assets	1,066.4	1,291.6	1,343.4	2,151.0	2,899.0
Total Current Assets	5,476.4	5,623.7	6,240.2	6,133.6	6,296.0
Fixed Assets - net	3,262.6	3,299.5	4,306.2	5,470.4	5,726.5
Total Non-Current Assets	4,164.2	4,501.3	5,536.9	6,213.8	6,357.5
Total Assets	9,640.6	10,125.0	11,777.1	12,347.4	12,653.5
Liabilities & Equity					
Short-term Loans & Musyarakah	1,055.5	1,079.0	965.6	843.2	890.5
Trade Payables	211.3	252.0	311.9	354.0	430.0
Current Maturities of Long-Term Debt	777.4	669.0	927.5	926.7	874.7
Total Current Liabilities	2,239.8	2,122.6	2,321.5	2,272.0	2,342.4
Non-current Sukuk Mudharabah (incl. medium-term)	183.9	306.9	355.5	339.8	377.0
Other Non-Current Liabilities	1,611.8	1,695.6	2,691.8	2,891.7	2,934.5
Total Non-Current Liabilities	1,795.7	2,002.5	3,047.3	3,231.5	3,311.5
Total Liabilities	4,035.5	4,125.1	5,368.8	5,503.5	5,653.9
Total Equity	5,605.2	6,000.1	6,408.2	6,843.8	6,999.7

Exhibit D: Cash Flow Statement

Item	FY22	FY23	FY24	FY25
Cash Flows from Operating Activities				
Receipts from customers	3,603.8	3,587.4	3,046.3	3,488.8
Payments to suppliers	(2,218.8)	(1,868.0)	(1,897.2)	(1,750.0)
Payments to employees & other operating activities	(572.9)	(461.7)	(436.4)	(489.9)
Cash generated from operating activities	812.1	1,257.7	712.7	1,248.9
Receipts of interest income	14.9	27.9	50.9	64.6
Payments of taxes - net	(196.5)	(169.9)	(148.5)	(83.3)
Payments of interest and other financial charges	(224.7)	(253.0)	(306.1)	(399.8)
Net Cash Provided by Operating Activities	**405.8**	**862.7**	**309.0**	**830.4**
Cash Flows from Investing Activities				
Acquisition of Fixed Assets & Advances	(173.3)	(574.9)	(1,282.6)	(796.7)
Other Investing Activities - net	27.6	(154.1)	26.8	(768.4)
Net Cash Used in Investing Activities	**(145.7)**	**(729.0)**	**(1,255.8)**	**(1,565.1)**
Cash Flows from Financing Activities				
Proceeds from Borrowings, Bonds & Sukuk	805.0	897.1	2,021.0	1,327.8
Repayments of Borrowings, Bonds & Sukuk	(851.9)	(875.9)	(710.4)	(1,125.0)
Dividends paid	(18.3)	(19.6)	(16.8)	(16.8)

Item	FY22	FY23	FY24	FY25
Net Cash Provided by (Used in) Financing Activities	**(65.2)**	**1.6**	**1,293.8**	**186.0**
Net Increase (Decrease) in Cash and Cash Equivalents	**194.9**	**135.3**	**347.0**	**(548.7)**

Source: INKP Audited FS FY2022 - 2025; Aldiracita Research. Note: 1Q26's Cash Flows are not available yet.

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Rating	Definition
idAAA	Highest quality; lowest risk of default
idAA	Very high quality; very low default risk
idA+ (this issuance)	High quality; low default risk
idBBB	Good quality; adequate protection — investment grade floor

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