

### Investment Consideration

#### 1H23 new contracts increase +6% YoY

In 1H23, PTPP experienced a positive growth in new contracts, amounting to IDR 11.62 trillion. This is a 6.3% increase compared to the new contracts secured in 1H22, which were valued at IDR 10.93 trillion. These contracts were 45% from government projects, 28% from state-owned (SOE) projects, and 27% from the private sector. Notably, for IKN projects, PTPP obtained contracts worth IDR 4.15 trillion as of June 2023, showing significant growth of +180% compared to the third quarter of 2022 (3Q22). PTPP targets to achieve new contracts of IDR 34.5 trillion this year, representing an 11.4% YoY increase, with a focus on government and SOE projects. Over the next two years, we estimate an average CAGR of +11% in new contracts.

#### Profit growth of 21%

In 1Q23, PTPP saw a promising +21% growth in its bottom line profit. The operating revenue for 1Q23 reached IDR 4.36 trillion, up +1.86% YoY from IDR 4.28 trillion in 1Q22. Most of the revenue, 60%, was contributed by PTPP as the parent company, while the remaining 40% came from subsidiaries, with PPRE contributing 16% and PPSD contributing 12%. PTPP's net profit during 1Q23 stood at IDR 34.2 trillion, a substantial increase of +21% YoY compared to the IDR 28.2 trillion achieved in 1Q22.

#### Maintaining debt to equity of 1.18x

As of 1Q23, PTPP obtained new debt facility through short-term and long-term bank loans and credit facilities for the company and its subsidiaries. However, we expect the total interest-bearing debt to equity ratio to remain steady at an average of 1.18x for 2022-2023.

#### Targeted 1.4 trillion of asset divestment

As part of its financial strategy, PTPP plans to divest assets worth IDR 1.4 trillion in 2023. This includes releasing shares in affiliated companies and subsidiaries, as well as divesting less productive heavy equipment through its subsidiaries with a total IDR 1.4 trillion. In June 2023, PTPP divested 20% of its ownership of PT Sinergi Properti.

#### Valuation: 78% upside

Considering the company's potential, we maintain our target price of IDR 1,130/share within one year, which means trading at 18x PER, indicating an upside of 78%. As such, we maintain our recommendation to BUY PTPP shares.

Financial Highlights	2018 A	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F
<b>Sales growth (%)</b>	16.82%	-1.83%	-35.80%	5.89%	12.87%	19.19%	12.32%
Operating Margin(%)	10.46%	10.77%	10.44%	9.24%	10.45%	10.14%	10.14%
EBITDA margin(%)	16.20%	13.59%	10.57%	13.17%	11.47%	10.99%	11.02%
NET Profit margin(%)	5.98%	3.77%	1.04%	1.59%	1.44%	1.54%	1.54%
Debt/ equity (X)	0.66	0.97	1.27	1.20	1.06	1.30	1.40
Current ratio (X)	1.42	1.32	1.21	1.12	1.21	1.09	1.10
<b>EPS</b>	242.3	150.1	26.5	42.9	43.8	55.9	62.8

24 July 2023  
Construction, Equity

Price IDR. 635  
Target Price IDR. 1130  
JKSE Index 6904.36



Stock Code **PTPP J**  
Bloomberg code **3930**  
Market cap (IDR.bn) **1075**  
52-Week High (IDR) **498**  
52-Week Low (IDR) **569**  
6-m Avg Daily. Val (IDR) **48.74**  
Free Float (%) **51.00%**

Major Shareholders (%)  
Government RI **0.03%**  
Koperasi Karyawan **48.74%**  
Pemegang Saham PTPP **0.23%**  
Public **51.00%**  
Treasury **0.23%**

USD/IDR-YE  
2022A **15592**  
2022F **14994**

Key Indicators  
Debt/ Equity (x) **1.40**  
Current ratio (x) **1.10**

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**Company Profile**

PT PP (Persero) was established in 1953 as NV Pembangunan Perumahan, with the goal of building houses for PT Semen Gresik Tbk officers, a subsidiary of BAPINDO in Gresik. In 2009, PTPP conducted an initial public offering (IPO). The company operates as a construction and investment firm in Indonesia, engaging in three categories: upstream, midstream, and downstream, spanning seven segments: Construction, EPC, Precast, Property and Reality, Equipment Rent Service, Infrastructure, and Energy. PTPP is involved in developing high-rise buildings, roads, bridges, dams, irrigation projects, and power plants. It also constructs and operates various commercial buildings, hotels, apartments, office buildings, residential properties, shopping centers, trade centers, and other facilities.

**Company Structure**

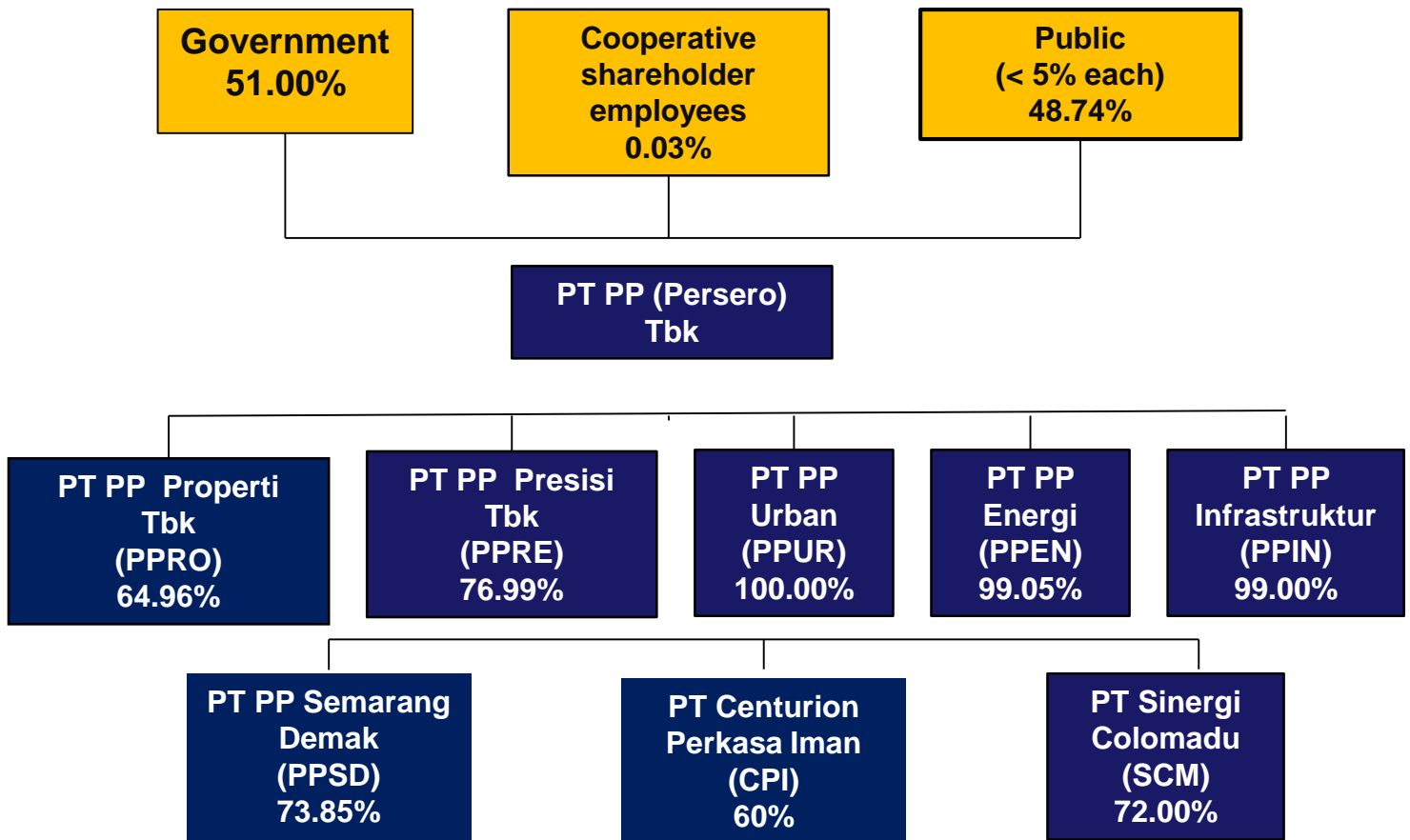


Chart: PTPP's New Contract (IDR. In trillion)



Chart: PTPP's projects based on project owner 6M23

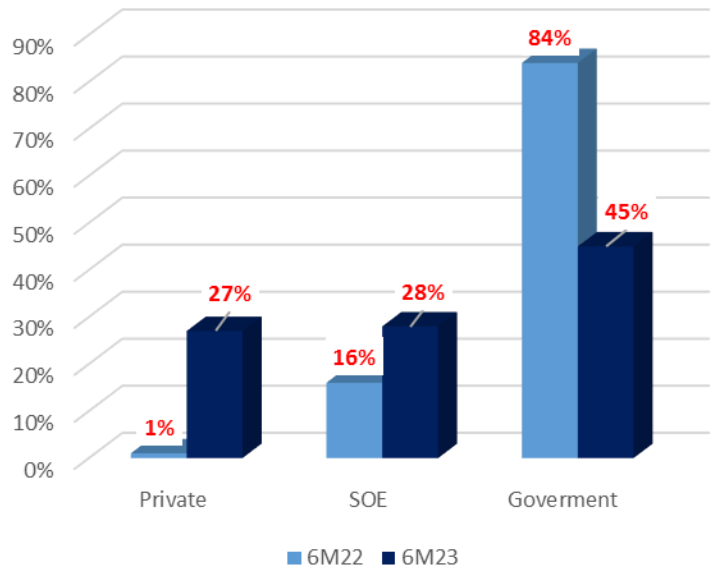


Chart: Contract based on business line (%) 6M23

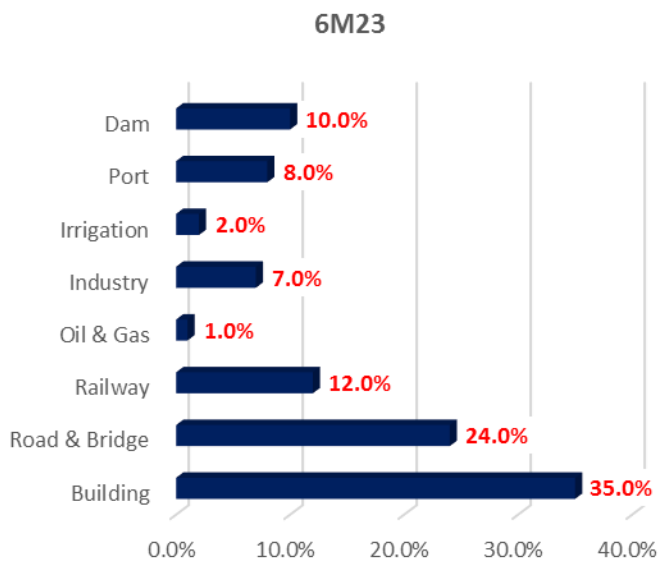
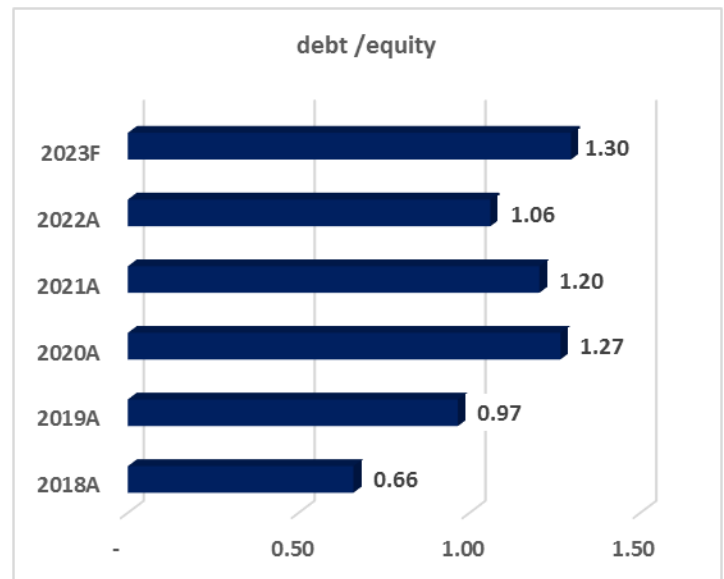


Chart: Debt/equity (x) yoy



## Profit and Loss

Profit and Loss (IDR.bn)	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Revenue	15,831	16,764	18,922	22,552	25,332	28,979
Cost of Revenue	(13,594)	(14,589)	(16,246)	(19,363)	(21,749)	(24,880)
<b>Gross Profit</b>	<b>2,237</b>	<b>2,175</b>	<b>2,676</b>	<b>3,190</b>	<b>3,583</b>	<b>4,098</b>
Operating expense	(584)	(625)	(699)	(902)	(1,013)	(1,159)
<b>Operating Profit</b>	<b>1,653</b>	<b>1,549</b>	<b>1,977</b>	<b>2,287</b>	<b>2,569</b>	<b>2,939</b>
Other income	(1,318)	(1,172)	(1,597)	(1,804)	(2,027)	(2,318)
<b>PBT</b>	<b>335</b>	<b>377</b>	<b>380</b>	<b>483</b>	<b>543</b>	<b>621</b>
taxes	(23)	(16)	(14)	(17)	(19)	(22)
Minority interest	(148)	(95)	(94)	(120)	(134)	(154)
EPS	26	43	44	56	63	72
<b>Net Profit</b>	<b>164</b>	<b>266</b>	<b>272</b>	<b>346</b>	<b>389</b>	<b>445</b>
<b>EBITDA</b>	<b>1,674</b>	<b>2,208</b>	<b>2,170</b>	<b>2,477</b>	<b>2,792</b>	<b>3,220</b>

## Cash Flow

Cash Flow (IDR. bn)	2018 A	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
+ Net Income	1,502	930	164	266	272	346	389	445
Depreciation	498	544	444	488	508	580	662	787
- Change in WC	(2537)	2189	1749	1443	(3204)	2869	1376	(987)
<b>Cash From Operating Activities</b>	<b>(537)</b>	<b>3,664</b>	<b>2,357</b>	<b>2,197</b>	<b>(2,424)</b>	<b>3,796</b>	<b>2,427</b>	<b>245</b>
fixed asset	(1,313)	(1,364)	(136)	1,037	47	(2,159)	(1,090)	(1,139)
Other non current asset	(2,324)	(1,788)	(2,233)	(3,819)	(3,934)	(114)	(475)	(527)
<b>cash from investing activities</b>	<b>(3,637)</b>	<b>(3,152)</b>	<b>(2,369)</b>	<b>(2,782)</b>	<b>(3,887)</b>	<b>(2,272)</b>	<b>(1,565)</b>	<b>(1,667)</b>
Long term loans								
Related parties	798	94	1,132	(1,218)	0	90	80	401
Third Parties	(432)	612	1,252	(264)	959	248	417	547
advances from project owners and consumers	102	45	(56)	1,102	863	563	431	566
Finance lease obligation	39	(133)	(84)	121	20	55	36	47
MTN	280	(1,110)	(585)	15	570	(600)	0	0
bond	2,111	2,282	(1,699)	(668)	(60)	(47)	141	0
other long term liabilities	(29)	(151)	168	532	2,577	(30)	191	257
Equity	571	(1,694)	(1,709)	57	219	(1,879)	114	65
<b>cash from financing activities</b>	<b>3,439</b>	<b>(55)</b>	<b>(1,580)</b>	<b>(323)</b>	<b>5,149</b>	<b>(1,599)</b>	<b>1,411</b>	<b>1,883</b>
Net Changes in Cash	(736)	458	(1,593)	(909)	(1,162)	(76)	2,273	462
<b>Beginning Balance</b>	<b>9,383</b>	<b>8,647</b>	<b>9,105</b>	<b>7,512</b>	<b>6,603</b>	<b>5,441</b>	<b>5,366</b>	<b>7,638</b>
<b>Ending balance</b>	<b>8,647</b>	<b>9,105</b>	<b>7,512</b>	<b>6,603</b>	<b>5,441</b>	<b>5,366</b>	<b>7,638</b>	<b>8,100</b>

## Balance Sheet

Balance sheet (IDR.bn)	2018 A	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
<b>Current Asset</b>								
Cash	8,647	9,105	7,512	6,603	5,441	<b>5,366</b>	<b>7,638</b>	<b>8,100</b>
Short term Investment	389	564	500	408	257	270	283	297
AR	10,285	4,445	5,211	5,385	5,740	5,561	6,246	7,145
Inventory	4,659	9,566	9,525	10,915	10,174	11,140	12,513	12,951
Other Current Asset	13,554	14,886	11,177	10,420	10,779	11,276	11,399	11,591
<b>Total Current Asset</b>	<b>37,534</b>	<b>38,568</b>	<b>33,925</b>	<b>33,732</b>	<b>32,392</b>	<b>33,613</b>	<b>38,080</b>	<b>40,086</b>
Trade account receivable current portion		287	210	842	1,360	902	1,013	1,014
Fixed Asset	6,605	7,425	7,117	5,593	5,037	6,616	7,044	7,396
Other non current Asset	8,409	9,911	12,220	15,408	18,823	19,395	19,759	20,285
<b>Total Non Current Asset</b>	<b>15,015</b>	<b>17,622</b>	<b>19,548</b>	<b>21,842</b>	<b>25,221</b>	<b>26,913</b>	<b>27,816</b>	<b>28,695</b>
<b>Total Asset</b>	<b>52,549</b>	<b>56,190</b>	<b>53,472</b>	<b>55,574</b>	<b>57,612</b>	<b>60,525</b>	<b>65,896</b>	<b>68,781</b>
Trade Account Payable	19,571	18,100	15,526	16,067	15,184	17,918	19,433	17,467
Short Term bank loans MTN	2,465	3,708	5,058	6,581	5,338	6,406	7,687	9,224
	200	1,230	680	120	30	600	600	600
Advances from project owners and consumers	935	2,879	2,273	1,186	1,383	1,353	1,520	1,739
Finance lease obligation	166	185	126	118	151	180	203	232
Bonds payable	200	300	2,112	2,809	1,143	1,315	1,512	1,739
Other Short term liabilities	2,985	2,886	2,211	3,264	3,534	3,157	3,546	4,057
<b>Total Current Liabilities</b>	<b>26,523</b>	<b>29,288</b>	<b>27,987</b>	<b>30,146</b>	<b>26,764</b>	<b>30,930</b>	<b>34,500</b>	<b>35,057</b>
Long term loans								
Related parties	2,608	2,702	3,834	2,616	2,616	2,706	2,786	3,188
Third Parties	575	1,187	2,439	2,175	3,135	3,383	3,800	4,347
advances from project owners and consumers	980	1,026	970	2,072	2,935	3,498	3,929	4,494
Finance lease obligation	313	180	97	218	238	293	329	377
MTN	1,710	600	15	30	600	0	0	0
bond	3,010	5,292	3,593	2,925	2,866	2,819	2,960	2,960
Other Long term liabilities	513	362	530	1,062	3,639	3,608	3,800	4,057
<b>Total Non Current Liabilities</b>	<b>9,711</b>	<b>11,350</b>	<b>11,479</b>	<b>11,098</b>	<b>16,028</b>	<b>16,307</b>	<b>17,604</b>	<b>19,422</b>
<b>Total Liabilities</b>	<b>36,234</b>	<b>40,638</b>	<b>39,465</b>	<b>41,244</b>	<b>42,791</b>	<b>47,237</b>	<b>52,104</b>	<b>54,480</b>
<b>Equity</b>	<b>16,316</b>	<b>15,552</b>	<b>14,007</b>	<b>14,330</b>	<b>14,821</b>	<b>13,288</b>	<b>13,792</b>	<b>14,302</b>
<b>Liabilities + equity</b>	<b>52,549</b>	<b>56,190</b>	<b>53,472</b>	<b>55,574</b>	<b>57,612</b>	<b>60,525</b>	<b>65,896</b>	<b>68,781</b>

## Ratio Highlights

Ratio Highlights	2018 A	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
<b>Growth (% YoY)</b>								
Sales	16.82%	-1.83%	-35.80%	5.89%	12.87%	19.19%	12.32%	14.40%
OP	4.08%	1.08%	-37.76%	-6.30%	27.61%	15.69%	12.32%	14.40%
EBITDA	20.10%	-17.66%	-50.06%	31.94%	-1.74%	14.18%	12.70%	15.32%
NP	3.36%	-38.06%	-82.37%	62.13%	2.15%	27.51%	12.33%	14.40%
EPS	3.36%	-38.06%	-82.37%	62.13%	2.15%	27.51%	12.33%	14.40%
<b>Profitability</b>								
Operating Margin(%)	10.46%	10.77%	10.44%	9.24%	10.45%	10.14%	10.14%	10.14%
EBITDA margin(%)	16.20%	13.59%	10.57%	13.17%	11.47%	10.99%	11.02%	11.11%
NET Profit margin(%)	5.98%	3.77%	1.04%	1.59%	1.44%	1.54%	1.54%	1.54%
ROA(%)	2.86%	1.66%	0.31%	0.48%	0.47%	0.57%	0.59%	0.65%
ROE(%)	9.21%	5.98%	1.17%	1.86%	1.83%	2.61%	2.82%	3.11%
<b>Stability</b>								
Debt/ equity (X)	0.66	0.97	1.27	1.20	1.06	1.30	1.40	1.54
Current ratio (X)	1.42	1.32	1.21	1.12	1.21	1.09	1.10	1.14
<b>Per Share data (Rp)</b>								
EPS	242.3	150.1	26.5	42.9	43.8	55.9	62.8	71.8
BVS	2,632	2,508	2,259	2,311	2,391	2,143	2,224	2,307

**Stock Ratings:**

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

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