

4 December 2023
Construction, Equity

Price **IDR. 570**
Target Price **IDR. 1005**
JKSE Index **7115.229**



Stock Code
Bloomberg code **PTPP IJ**
Market cap (IDR.bn) **3680**
52-Week High (IDR) **910**
52-Week Low (IDR) **498**
6-m Avg Daily. Val (IDR) **569**
Free Float (%) **48.74**

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

USD/IDR-YE
2022A **15592**
2023F **15500**

Key Indicators
Debt/ Equity (x) **1.36**
Current ratio (x) **1.09**

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Investment Consideration

10M23 new contracts 85% target

In 10M23, PTPP booked new contracts amounting to IDR 29.31 trillion, reaching 85% of the total initial target of IDR 34.5 trillion. These contracts consisted of 42.47% from government projects, 33% from state-owned (SOE) projects, and 25% from the private sector. Notably, for IKN projects, PTPP obtained contracts worth IDR 5.68 trillion as of 10M23. Achievements in new projects for October 2023 include the Construction of IKN Airport (Airstrip Side) worth IDR 2.28 trillion, the Construction of BNI Building in PIK 2 Area worth IDR 1.29 trillion, Patimbangan Access Package 1 Toll Road worth IDR 1.01 billion, and the Construction of Bank Indonesia IKN Phase 1 Office Complex worth IDR 942 billion. PTPP targets 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 maintain our estimation of an average CAGR of +11% in new contracts.

Net profit grew 130% QoQ in 3Q23

In 9M23, PTPP posted a net profit of IDR 239 billion, up 70% YoY or 130% QoQ in 3Q23. Operating revenue for 3Q23 reached IDR 4.18 trillion, up +13% QoQ from IDR 3.7 trillion in 2Q23. Most of the revenue, 59%, was contributed by PTPP as the parent company, while the remaining 29% came from subsidiaries, with PPRE contributing 23%, PPUB 7%, PPRO 6%, PPSD contributing 2%, and others 3%. The increase in bottom-line net profit is supported by a lower -6% YoY finance cost and a 49% YoY increase in share in the profit of joint ventures. We estimate a CAGR within 2023-2024 of net profit for PTPP to average 29% compared to 2022A.

Targeting debt to equity of 1.3x

Based on 9M23, PTPP obtained new debt facilities 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 average 1.3x for 2023-2024.

Valuation: 76% upside

Based on 9M23 results, we maintain our target price of IDR 1,005/share within one year, indicating an upside of 76% to trade at 13.7x PER. 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
Sales growth (%)	16.82%	-1.83%	35.80%	5.89%	12.87%	-6.56%	16.08%
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%	13.55%	13.27%
NET Profit margin(%)	5.98%	3.77%	1.04%	1.59%	1.44%	2.29%	2.21%
Debt/ equity (X)	0.66	0.97	1.27	1.20	1.06	1.25	1.36
Current ratio (X)	1.42	1.32	1.21	1.12	1.21	1.06	1.09
EPS	242.3	150.1	26.5	42.9	43.8	65.3	73.3

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

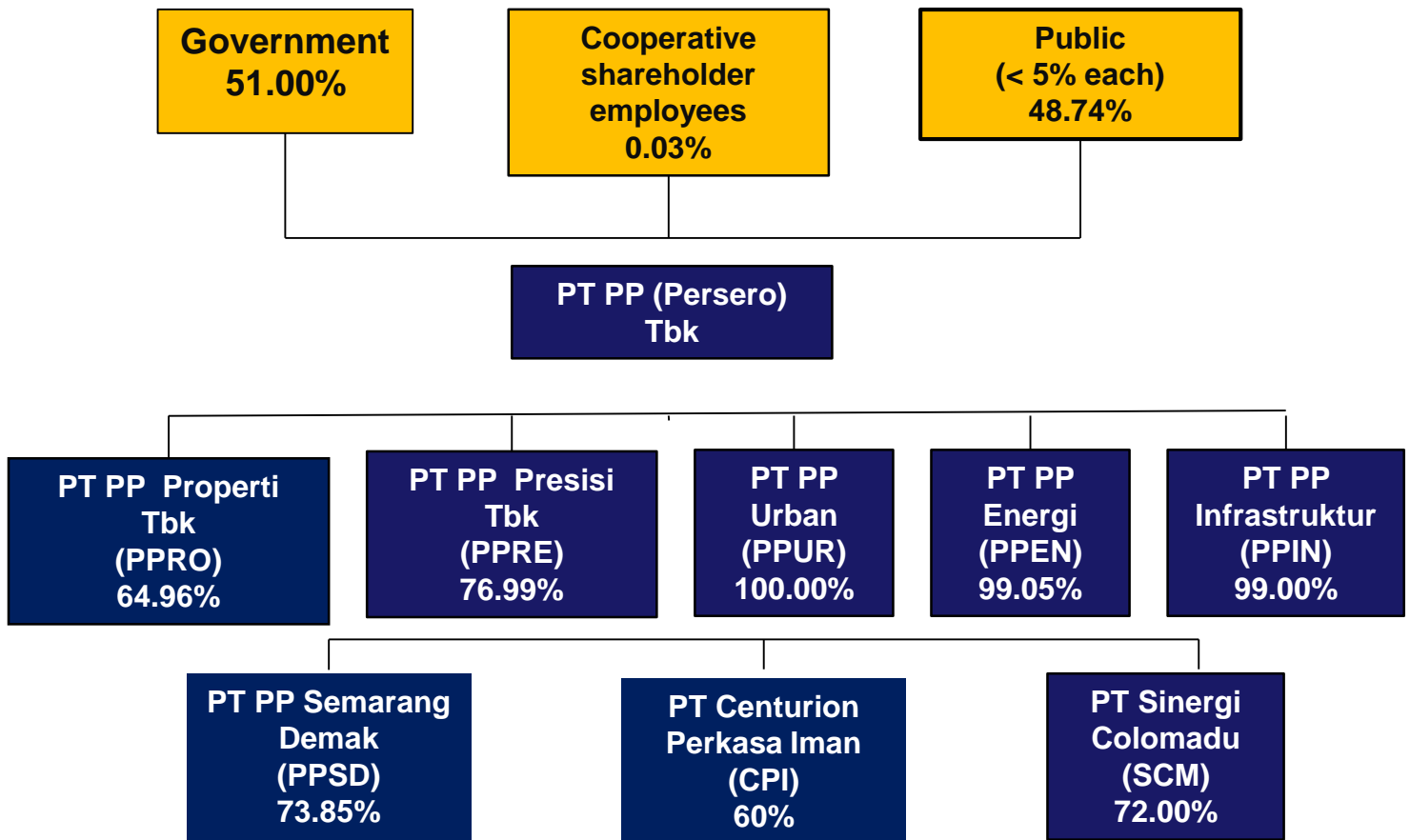


Chart: PTPP's New Contract (IDR. In trillion)



Chart: PTPP's projects based on project owner 10M23

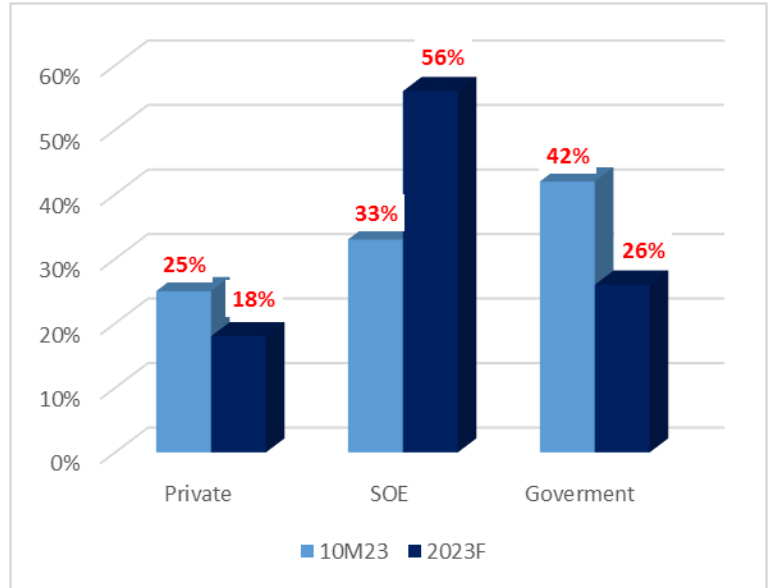


Chart: Contract based on business line (%) 10M23

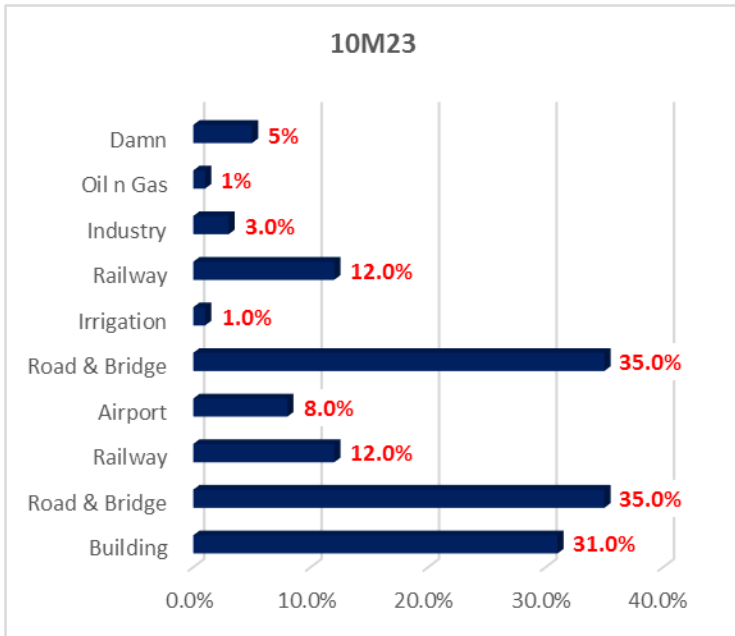
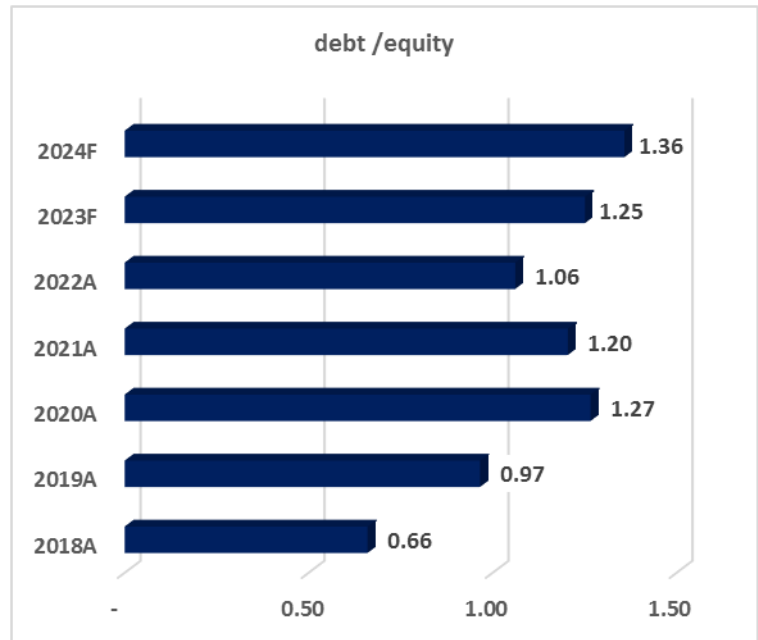


Chart: Debt/equity (x) yoy



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	17,681	20,524	24,034
Cost of Revenue	(13,594)	(14,589)	(16,246)	(15,180)	(17,622)	(20,635)
Gross Profit	2,237	2,175	2,676	2,501	2,903	3,399
Operating expense	(584)	(625)	(699)	(707)	(821)	(961)
Operating Profit	1,653	1,549	1,977	1,793	2,082	2,438
Other income	(1,318)	(1,172)	(1,597)	(1,238)	(1,457)	(1,682)
PBT	335	377	380	556	625	755
taxes	(23)	(16)	(14)	(14)	(16)	(18)
Minority interest	(148)	(95)	(94)	(137)	(154)	(187)
EPS	26	43	44	65	73	89
Net Profit	164	266	272	405	454	550
EBITDA	1,674	2,208	2,170	2,395	2,724	3,201

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	405	454	550
Depreciation	498	544	444	488	508	580	662	787
- Change in WC	(2537)	2189	1749	1443	(3204)	512	160	(3093)
Cash From Operating Activities	(537)	3,664	2,357	2,197	(2,424)	1,497	1,276	(1,755)
fixed asset	(1,313)	(1,364)	(136)	1,037	47	(766)	(1,654)	(1,968)
Other non current asset	(2,324)	(1,788)	(2,233)	(3,819)	(3,934)	1,973	1,381	(835)
cash from investing activities	(3,637)	(3,152)	(2,369)	(2,782)	(3,887)	1,207	(273)	(2,803)
Long term loans								
Related parties	798	94	1,132	(1,218)	0	(494)	136	386
Third Parties	(432)	612	1,252	(264)	959	(483)	427	526
advances from project owners and consumers	102	45	(56)	1,102	863	(193)	441	544
Finance lease obligation	39	(133)	(84)	121	20	(8)	37	46
MTN bond	280	(1,110)	(585)	15	570	(600)	0	0
	2,111	2,282	(1,699)	(668)	(60)	(47)	141	0
other long term liabilities	(29)	(151)	168	532	2,577	(279)	(281)	286
Equity	571	(1,694)	(1,709)	57	219	(2,185)	191	378
cash from financing activities	3,439	(55)	(1,580)	(323)	5,149	(4,289)	1,092	2,166
Net Changes in Cash	(736)	458	(1,593)	(909)	(1,162)	(1,584)	2,095	(2,392)
Beginning Balance	9,383	8,647	9,105	7,512	6,603	5,441	3,857	5,952
Ending balance	8,647	9,105	7,512	6,603	5,441	3,857	5,952	3,560

Balance Sheet

Balance sheet (IDR.bn)	2018 A	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Current Asset								
Cash	8,647	9,105	7,512	6,603	5,441	3,857	5,952	3,560
Short term Investment	389	564	500	408	257	218	229	241
AR	10,285	4,445	5,211	5,385	5,740	5,764	6,185	6,585
Inventory	4,659	9,566	9,525	10,915	10,174	9,482	11,007	12,890
Other Current Asset	13,554	14,886	11,177	10,420	10,779	10,255	11,904	13,940
Total Current Asset	37,534	38,568	33,925	33,732	32,392	29,577	35,278	37,214
Trade account receivable current portion		287	210	842	1,360	707	821	841
Fixed Asset	6,605	7,425	7,117	5,593	5,037	5,223	6,215	7,396
Other non current Asset	8,409	9,911	12,220	15,408	18,823	17,504	16,009	16,824
Total Non Current Asset	15,015	17,622	19,548	21,842	25,221	23,434	23,045	25,061
Total Asset	52,549	56,190	53,472	55,574	57,612	53,010	58,323	62,275
Trade Account Payable	19,571	18,100	15,526	16,067	15,184	14,048	15,745	14,486
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	1,061	1,231	1,442
Finance lease obligation	166	185	126	118	151	141	164	192
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	2,475	2,873	3,365
Total Current Liabilities	26,523	29,288	27,987	30,146	26,764	26,046	29,813	31,048
Long term loans Related parties	2,608	2,702	3,834	2,616	2,616	2,122	2,258	2,644
Third Parties	575	1,187	2,439	2,175	3,135	2,652	3,079	3,605
advances from project owners and consumers	980	1,026	970	2,072	2,935	2,742	3,183	3,727
Finance lease obligation	313	180	97	218	238	230	267	312
MTN bond	1,710	600	15	30	600	0	0	0
	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	3,359	3,079	3,365
Total Non Current Liabilities	9,711	11,350	11,479	11,098	16,028	13,924	14,825	16,613
Total Liabilities	36,234	40,638	39,465	41,244	42,791	39,970	44,637	47,662
Equity	16,316	15,552	14,007	14,330	14,821	13,041	13,686	14,614
Liabilities + equity	52,549	56,190	53,472	55,574	57,612	53,010	58,323	62,275

Ratio Highlights

Ratio Highlights	2018 A	2019 A	2020 A	2021 A	2022 A	2023 F	2024 F	2025 F
Growth (% YoY)								
Sales	16.82%	-1.83%	-35.80%	5.89%	12.87%	-6.56%	16.08%	17.10%
OP	4.08%	1.08%	-37.76%	-6.30%	27.61%	-9.30%	16.08%	17.10%
EBITDA	20.10%	-17.66%	-50.06%	31.94%	-1.74%	10.40%	13.74%	17.48%
NP	3.36%	-38.06%	-82.37%	62.13%	2.15%	48.94%	12.27%	21.08%
EPS	3.36%	-38.06%	-82.37%	62.13%	2.15%	48.94%	12.27%	21.08%
Profitability								
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%	13.55%	13.27%	13.32%
NET Profit margin(%)	5.98%	3.77%	1.04%	1.59%	1.44%	2.29%	2.21%	2.29%
ROA(%)	2.86%	1.66%	0.31%	0.48%	0.47%	0.76%	0.78%	0.88%
ROE(%)	9.21%	5.98%	1.17%	1.86%	1.83%	3.10%	3.32%	3.76%
Stability								
Debt/ equity (X)	0.66	0.97	1.27	1.20	1.06	1.22	1.32	1.42
Current ratio (X)	1.42	1.32	1.21	1.12	1.21	1.14	1.18	1.20
Per Share data (Rp)								
EPS	242.3	150.1	26.5	42.9	43.8	65.3	73.3	88.7
BVS	2,632	2,508	2,259	2,311	2,391	2,103	2,207	2,357

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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