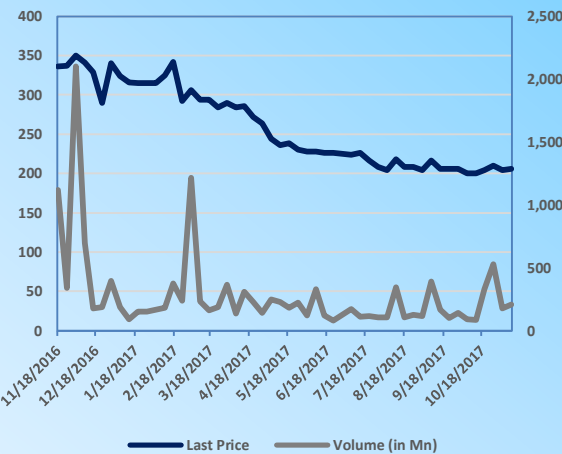


November 14th, 2017
Construction, Property and Real Estate

Price IDR 206
Target Price IDR 270
JKSE Index 6,021.456



Investment Consideration

2018, A Harvesting Year

2018 will be a harvesting year for PPRO with 24 projects that can be harvested, an increase from 14 projects in 2017. We are expecting 2017's pre-sales to grow 24% to IDR. 3.1 trillion and 16% to IDR. 3.6 trillion in 2018F. The projects to be released in 2018 are Weston View Malang, Kertajati, Petra Surabaya, Apartment Pasar Minggu, Transyogi Cibubur, UI Depok, Jogja Apartment, Entrance Suramadu, Ubaya, TOD Juanda, and UNS Solo. In Q42017, PPRO will launch GKL Victoria Tower, GKL Isabella Tower, Tower 3 of Alton Apartment, Tower 1 The Lovin Jatinangor, Grand Shamaya Tower 1, Lagoon Avenue Bekasi, Begawan Apartment Tower 1, and Wiyung Surabaya.

Developing the Landbank

In 2018 PPRO will focus on developing existing landbank rather than acquiring more land. As of 9M2017, PPRO landbank was 121 ha. PPRO plans to adding up to 200 – 300 ha by the end of 2017. Most of the landbank is located in Kertajati, West Java. In 2018, Most of PPRO capital expenditure will be used to refinance the short-term and long-term loans and 10-20% will be use to acquired more land. We are targeting PPRO revenue in 2017 and 2018 will reach IDR 2.72 trillion and IDR 3.38 trillion.

Spin off and IPO for Hospitality

PPRO plans to spin off their hospitality segment in 2019 and offer shares to the public in 2020 or 2021. Before that, PPRO will strengthen the hospitality segment by expanding to more hotels and commercial properties. Following Government targets like "creating 10 new destinations like Bali", PPRO plans to expand into Lake Toba, Tanjung Kelayang, Tanjung Lesung, Kepulauan Seribu, Borobudur, Bromo, Mandalika, Labuan Bajo, Wakatobi, and Morotai.

Valuation: TP 270, Upside 31% BUY

We have a one year target price for PPRO of IDR. 270, offering investors a potential return of 31%. This would mean the stock trading at 29x 2017F PE .We recommend BUY.

Stock Information

Bloomberg Code PPRO IJ
Market Cap (IDR bn) 12,705.2
52-week high (IDR) 362
52-week low (IDR) 191
Shares issued (mn) 61,675.7
6-m avg. daily Val (IDR) 215
Free float (%) 34.98

Major share holders (%)
PT PP Tbk (Persero) 64.96%
Yayasan Kesejahteraan
Kayawan PP 0.06%
Asuransi Jiwasraya 7.73%
Public 27.25%

USD/ IDR – YE (IDR)
2016 13,436
2017F (6m-avg) 13,373

Key Indicators 2018F
ROE (%) 9.4%
Curent Ratio (x) 2.01
Total Debt/Equity (x) 1.36

Analyst: Eka Rahmawati R
eka.rahmah@binaartha.com

| Profit and Loss (IDR Mn) | 2014A | 2015A | 2016A | 2017F | 2018F | 2019F |
|--------------------------|-----------|-------------|-------------|-------------|-------------|-------------|
| Net Revenues | 593,514 | 1,505,172 | 2,150,061 | 2,718,257 | 3,278,172 | 3,865,781 |
| Cost of Revenues | (404,453) | (1,057,350) | (1,564,157) | (1,984,327) | (2,425,847) | (2,860,678) |
| Gross Profit | 189,060 | 447,823 | 585,904 | 733,929 | 852,325 | 1,005,103 |
| Operating Expenses | (55,879) | (62,323) | (78,631) | (108,730) | (131,127) | (154,631) |
| Operating Income | 133,182 | 385,500 | 507,273 | 625,199 | 721,198 | 850,472 |
| JV | 1,809 | 1,086 | (2,416) | 9,786 | 11,801 | 13,917 |
| Other income | 0 | (13,848) | (56,973) | (113,675) | (95,125) | (99,825) |
| Profit Before Tax | 100,970 | 372,738 | 460,613 | 521,310 | 637,874 | 764,564 |
| Tax Expense | (515) | (72,409) | (95,238) | (78,197) | (95,681) | (114,685) |
| NIAT | 100,456 | 300,329 | 365,374 | 443,114 | 542,193 | 649,879 |
| Minority Interest | (57) | (4) | 9 | (12,236) | (14,756) | (17,401) |
| Net Income | 100,513 | 300,325 | 365,383 | 430,878 | 527,437 | 632,478 |
| EPS (IDR) | 11 | 28 | 26 | 8 | 9 | 11 |
| EBITDA | 121,633 | 427,353 | 547,564 | 666,948 | 769,491 | 909,240 |

Company Profile

PT PP Properti Tbk has been the property division of state owned enterprise, PT PP (Persero) Tbk, since 1991. In February, 2014 PT PP Properti was spun-off as a separate company & completed an initial public offering in the first semester of 2015 by listing on the Indonesia Stock Exchange. The company today has become one of the best known Property and Realty Companies in Indonesia. PP Properti has three business units, Commercial, Residential, & Hospitality, which by developing its own landbank and through cooperation with strategic partners, have built apartments, hotels, offices, malls, & residential housing units for both sale & rental. As of September 2017, the company is divided into 4 subsidiaries.

Company Structure

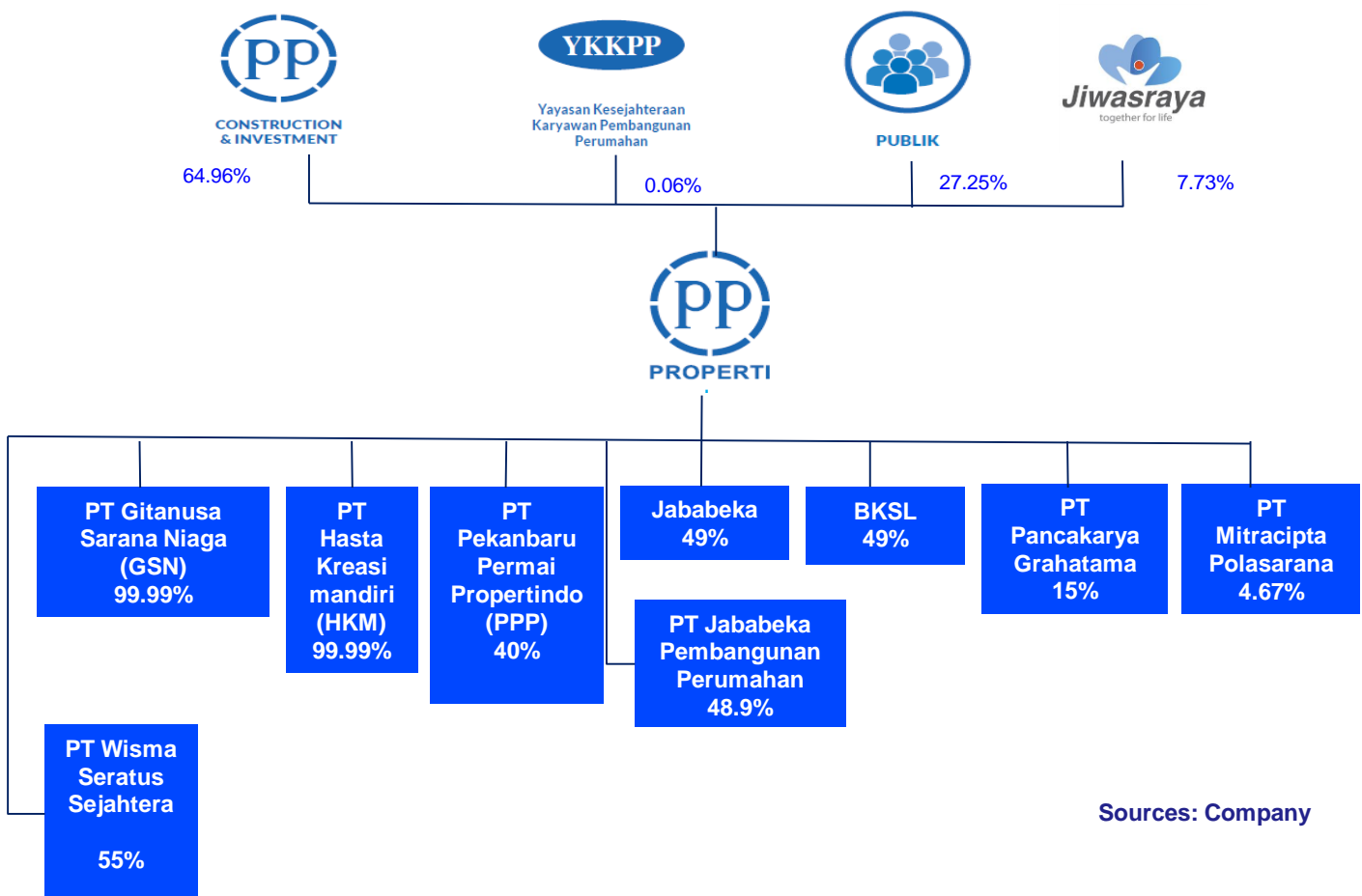
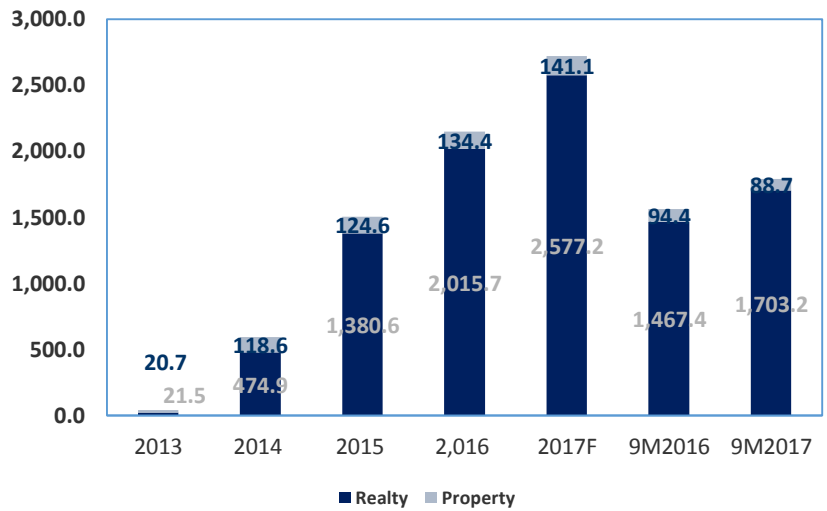


Table: Company Projects

| 2017 | 2018 |
|---------------------------|------------------------|
| Grand Kamala Lagoon | Weston View Malang |
| Grand Sungkono Lagoon | Kertajati |
| Grand Dharmahusada Lagoon | Petra Surabaya |
| Grand Shamaya | Apartemen Pasar Minggu |
| Gunung Putri Square | Transyogi Cibubur |
| The Ayoma | UI Depok |
| Amartha View | Jogja Apartemen |
| The Alton Apartment | Entrance Suramadu |
| Begawan Malang | Ubaya |
| Jababeka | TOD Juanda |
| Verdura Sentul | UNS Solo |
| Evencio Depok | |
| The Lovin Jatinangor | |
| Weston View Malang | |

Sources: Company

Chart: Revenue breakdown



Sources: Company

Table: Profit and Loss YoY (IDR. Million)

| Profit and Loss (IDR Mn) | 2014A | 2015A | 2016A | 2017F | 2018F | 2019F |
|--------------------------|----------------|------------------|------------------|------------------|------------------|------------------|
| Net Revenues | 593,514 | 1,505,172 | 2,150,061 | 2,718,257 | 3,278,172 | 3,865,781 |
| Cost of Revenues | (404,453) | (1,057,350) | (1,564,157) | (1,984,327) | (2,425,847) | (2,860,678) |
| Gross Profit | 189,060 | 447,823 | 585,904 | 733,929 | 852,325 | 1,005,103 |
| Operating Expenses | (55,879) | (62,323) | (78,631) | (108,730) | (131,127) | (154,631) |
| Operating Income | 133,182 | 385,500 | 507,273 | 625,199 | 721,198 | 850,472 |
| JV | 1,809 | 1,086 | (2,416) | 9,786 | 11,801 | 13,917 |
| Other income | 0 | (13,848) | (56,973) | (113,675) | (95,125) | (99,825) |
| Profit Before Tax | 100,970 | 372,738 | 460,613 | 521,310 | 637,874 | 764,564 |
| Tax Expense | (515) | (72,409) | (95,238) | (78,197) | (95,681) | (114,685) |
| NIAT | 100,456 | 300,329 | 365,374 | 443,114 | 542,193 | 649,879 |
| Minority Interest | (57) | (4) | 9 | (12,236) | (14,756) | (17,401) |
| Net Income | 100,513 | 300,325 | 365,383 | 430,878 | 527,437 | 632,478 |
| EPS | 11 | 28 | 26 | 8 | 9 | 11 |
| EBITDA | 121,633 | 427,353 | 547,564 | 666,948 | 769,491 | 909,240 |

Sources: Company and Binaartha

Table: Cash Flow YoY (IDR. Million)

| Cash Flow (In IDR Mn) | 2014A | 2015A | 2016A | 2017F | 2018F | 2019F |
|---------------------------------------|------------------|--------------------|--------------------|--------------------|------------------|------------------|
| Net Income | 100,513 | 300,325 | 365,383 | 430,878 | 527,437 | 632,478 |
| Depreciation | 7,916 | 20,771 | 29,978 | 31,963 | 36,491 | 44,851 |
| Change in WC | (466,860) | 27,401 | (507,422) | (2,145,584) | 263,432 | (653,152) |
| Cash From Operating Activities | (358,431) | 348,497 | (112,061) | (1,682,742) | 827,360 | 24,178 |
| Capex | (147,517) | (1,562,884) | (1,559,337) | (826,324) | (922,029) | (456,442) |
| Cash From Investing Activities | (147,517) | (1,562,884) | (1,559,337) | (826,324) | (922,029) | (456,442) |
| Bonds Payable | 0 | 0 | 598,358 | 0 | 0 | (200,000) |
| MTN | 30,000 | 0 | 270,000 | 587,000 | 0 | 50,000 |
| Other Long term liabilities | 633,678 | 190,261 | 985,149 | (86,005) | 0 | 223,970 |
| Equity | 40,019 | 1,151,523 | 84,941 | 1,820,768 | 85,949 | 146,174 |
| Cash From Financing Activities | 703,697 | 1,341,784 | 1,938,448 | 2,321,763 | 85,949 | 220,144 |
| Net Changes in Cash | 197,749 | 127,397 | 267,050 | (187,303) | (8,720) | (212,121) |
| Beginning Balance | 32,277 | 230,025 | 357,422 | 624,472 | 437,169 | 428,449 |
| Ending Balance | 230,025 | 357,422 | 624,472 | 437,169 | 428,449 | 216,328 |

Sources: Company and Binaartha

Table: Balance Sheet YoY (IDR. Million)

| Balance Sheet (In IDR Mn) | 2013A | 2014A | 2015A | 2016A | 2017F | 2018F | 2019F |
|---------------------------------------|------------------|------------------|------------------|------------------|-------------------|-------------------|-------------------|
| ASSETS | | | | | | | |
| CURRENT ASSETS | | | | | | | |
| Cash and Cash Equivalents | 32,277 | 230,025 | 357,422 | 624,472 | 437,169 | 428,449 | 216,328 |
| Trade Accounts Receivable | 66,650 | 327,709 | 1,199,348 | 2,810,291 | 4,963,185 | 4,917,258 | 5,798,672 |
| Inventories | 817,451 | 1,529,414 | 1,498,070 | 1,606,415 | 2,030,942 | 2,449,282 | 2,888,313 |
| Others Current Assets | 70,555 | 128,719 | 131,845 | 123,475 | 271,826 | 327,817 | 386,578 |
| Total Current Assets | 986,933 | 2,215,868 | 3,186,686 | 5,164,654 | 7,703,122 | 8,122,806 | 9,289,892 |
| NONCURRENT ASSETS | | | | | | | |
| Fixed Assets | 207,020 | 256,675 | 1,674,282 | 1,997,713 | 2,280,708 | 2,803,197 | 2,960,176 |
| Other Noncurrent Assets | 243,536 | 333,483 | 457,989 | 1,663,917 | 2,175,283 | 2,538,331 | 2,792,943 |
| Total Noncurrent Assets | 450,556 | 590,157 | 2,132,271 | 3,661,630 | 4,455,991 | 5,341,529 | 5,753,120 |
| TOTAL ASSETS | 1,437,489 | 2,806,026 | 5,318,957 | 8,826,284 | 12,159,113 | 13,464,335 | 15,043,012 |
| LIABILITIES AND EQUITY | | | | | | | |
| LIABILITIES | | | | | | | |
| CURRENT LIABILITIES | | | | | | | |
| Short-term Bank Loans | 0 | 11,685 | 0 | 0 | 0 | 0 | 0 |
| Trade Account Payable | 21,462 | 192,234 | 658,506 | 1,777,426 | 2,093,058 | 2,524,192 | 2,976,651 |
| Others Current Liabilities | 118,404 | 500,274 | 916,510 | 1,001,086 | 1,265,642 | 1,526,343 | 1,799,939 |
| Total Current Liabilities | 139,867 | 704,194 | 1,575,016 | 2,778,512 | 3,358,700 | 4,050,536 | 4,776,590 |
| NONCURRENT LIABILITIES | | | | | | | |
| Bonds Payable | 0 | 0 | 0 | 598,358 | 598,358 | 598,358 | 398,358 |
| MTN | 0 | 30,000 | 30,000 | 300,000 | 887,000 | 887,000 | 937,000 |
| Others Noncurrent Liabilities | 372,415 | 1,006,093 | 1,196,354 | 2,181,503 | 2,095,498 | 2,095,498 | 2,319,469 |
| Total Noncurrent Liabilities | 372,415 | 1,036,093 | 1,226,354 | 3,079,861 | 3,580,857 | 3,580,857 | 3,654,827 |
| TOTAL LIABILITIES | 512,281 | 1,740,286 | 2,801,370 | 5,858,373 | 6,939,557 | 7,631,392 | 8,431,417 |
| Non-controlling interest | 0 | (57) | 1,708 | 146,731 | 240,083 | 229,472 | 270,605 |
| EQUITY | 925,208 | 1,065,796 | 2,515,879 | 2,821,180 | 4,979,474 | 5,603,470 | 6,340,990 |
| TOTAL LIABILITIES & EQUITY | 1,437,489 | 2,806,026 | 5,318,957 | 8,826,284 | 12,159,113 | 13,464,335 | 15,043,012 |

Sources: Company and Binaartha

Table: Ratio Highlights YoY (IDR. Million)

| | 2014A | 2015A | 2016A | 2017F | 2018F | 2019F |
|--------------------------|---------|--------|-------|-------|-------|-------|
| Growth (%) | | | | | | |
| Revenue | 1307.4% | 153.6% | 42.8% | 26.4% | 20.6% | 17.9% |
| Operation Income | 1292.2% | 189.5% | 31.6% | 23.2% | 15.4% | 17.9% |
| EBITDA | 724.6% | 251.3% | 28.1% | 21.8% | 15.4% | 18.2% |
| Net Income | 737.5% | 198.8% | 21.7% | 17.9% | 22.4% | 19.9% |
| Profitability (%) | | | | | | |
| Gross Profit Margin | 31.9% | 29.8% | 27.3% | 27.0% | 26.0% | 26.0% |
| Operating Margin | 22.4% | 25.6% | 23.6% | 23.0% | 22.0% | 22.0% |
| EBITDA Margin | 20.5% | 28.4% | 25.5% | 24.5% | 23.5% | 23.5% |
| Net Profit Margin | 16.9% | 20.0% | 17.0% | 15.9% | 16.1% | 16.4% |
| ROA | 3.6% | 5.6% | 4.1% | 3.5% | 3.9% | 4.2% |
| ROE | 9.4% | 11.9% | 13.0% | 8.7% | 9.4% | 10.0% |
| Liquidity (x) | | | | | | |
| Current Ratio (X) | 3.15 | 2.02 | 1.86 | 2.29 | 2.01 | 1.94 |
| Cash Ratio | 0.33 | 0.23 | 0.22 | 0.13 | 0.11 | 0.05 |
| Credit protection | | | | | | |
| Debt/EBITDA | 14.31 | 6.56 | 10.70 | 10.40 | 9.92 | 9.27 |
| Debt/Equity (x) | 1.63 | 1.11 | 2.08 | 1.39 | 1.36 | 1.33 |
| Debt / Asset | 0.62 | 0.53 | 0.66 | 0.57 | 0.57 | 0.56 |
| EBITDA int Coverage (x) | 9.54 | 12.63 | 9.61 | 5.87 | 8.09 | 9.11 |

Sources: Company and Binaartha

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%**.

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

RESEARCH TEAM
(62 21) 520 6678 ext. 611

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