

26 December 2019
Construction, Property and Real Estate

Price	IDR	67
Target Price	IDR	91
JKSE Index		6,305.910



Investment Consideration

9M2019 Results: Weak marketing sales

- As of 9M2019, PPRO revenue fell -24.7% to IDR 1.37 trillion from IDR 1.82 trillion. Most of the revenue came from Apartment sales at IDR 894.9 billion or 65% of total revenue. Housing sales contributed 26.6% of total revenue.
- COGS also decreased -28.6% to IDR 964.7 billion, which resulted in a decrease in gross profit -13.5% to IDR 407.7 billion. Net Income decreased -31.2% to IDR 210.54 billion from IDR 305.8 billion.
- The result is in line with the marketing sales in 9M2019. PPRO booked marketing sales of IDR 1.44 trillion in 9M2019, lower than 9M2018's IDR 3.1 trillion & far below PPRO's targeted 2019 marketing sales of IDR 4.17 trillion.

New PSAK No. 72

- A new accounting standard, PSAK no. 72, will be applied in 2020 (revenue can only be recognized after handover), PPRO has a strategy to deal with this by simplifying and speeding up the process of hand over, and adding landed house projects.
- The apartment projects which will be handed over in 2020 are Evencio Tower 1 Extension, Guning Putri Square shop houses, Ayoma West Tower, Amaritha View Tower 1, Grand Dharmahusada Lagoon Tower Olive, and Begawan Residential & Commercial project.
- As more projects will be handed over in 2020, PPRO is targeting marketing sales of IDR 4.8 trillion, higher than 2019's 4.17 trillion. Revenue is targeted to reach IDR 3.19 trillion, compared to the 2019 target of IDR 2.5 trillion. Net profit to set to reach IDR 346 billion in 2020.

More landed house projects

- PPRO plans to increase their landed house projects while still focusing on high rise buildings.
- Increasing landed house project is another of PPRO's strategies to offset PSAK No.72 in 2020.
- New Landed house projects for 2020 include Transyogi Cibubur, Rancasari Bandung, a new project in Makassar East Jakarta and Creative City West Java. While for apartments, new projects in 2020 are Sinduadi Yogyakarta, Petra Surabaya and PP Square.

Valuation: TP 91, Upside 36% BUY

- We have a one year target price for PPRO of IDR. 91, offering investors a potential return of 36%. This would mean the stock trading at 15x 2020F PE .We recommend BUY.

Stock Information

Bloomberg Code	PPRO IJ
Market Cap (IDR bn)	4,433.4
52-week high (IDR)	172
52-week low (IDR)	61
Shares issued (mn)	61,675.7
6-m avg. daily Val (IDR)	103
Free float (%)	21.21

Major share holders (%)	
PT PP Tbk (Persero)	64.96%
PT Asabri (Persero)	8.51%
Asuransi Jiwasraya	8.51%
Public	21.21%

USD/ IDR – YE (IDR)	
2018	14,390
2019F (6m-avg)	14,006

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Financial Highlights	2015A	2016A	2017A	2018A	2019F	2020F
Debt/Equity (X)	1.11	2.08	1.58	2.02	2.02	1.80
Debt/EBITDA	6.56	14.18	11.94	15.21	20.44	18.46
Revenue (IDR Mn)	1,505,172	2,015,655	2,708,881	2,556,175	2,794,914	2,893,942
EBITDA (IDR Mn)	427,353	413,158	633,329	700,822	585,194	610,258
Net Income (IDR Mn)	300,325	230,977	444,680	471,258	326,169	337,226
Total Debt (IDR Mn)	2,801,370	5,858,373	7,559,824	10,657,152	11,961,058	11,266,053
Total Equity (IDR Mn)	2,515,879	2,821,180	4,781,925	5,272,338	5,924,675	6,272,958
Total Aset (IDR Mn)	5,318,957	8,826,284	12,559,932	16,475,720	18,444,796	18,117,799

Table: Income Statement YoY (IDR. Million)

Income Statement (IDR Mn)	2015A	2016A	2017A	2018A	2019F	2020F
Net Revenues	1,505,172	2,015,655	2,708,881	2,556,175	2,794,914	2,893,942
Cost of Revenues	(1,057,350)	(1,564,157)	(2,059,293)	(1,893,598)	(2,068,237)	(2,141,517)
Gross Profit	447,823	451,498	649,588	662,577	726,678	752,425
Operating Expenses	(62,323)	(78,631)	(85,892)	(147,956)	(223,593)	(231,515)
Operating Income	385,500	372,866	563,695	514,620	503,085	520,910
JV	1,086	(2,416)	6,078	3,684	10,062	10,418
Other income	(13,848)	(56,973)	(70,446)	(63,007)	(99,825)	(103,950)
Profit Before Tax	372,738	326,207	538,591	565,768	413,321	427,378
Tax Expense	(72,409)	(95,238)	(78,948)	(68,984)	(61,998)	(64,107)
NIAT	300,329	230,968	459,643	496,783	351,323	363,271
Minority Interest	(4)	9	(14,963)	(25,526)	(25,154)	(26,045)
Net Income	300,325	230,977	444,680	471,258	326,169	337,226
EPS (IDR)	28	16	7	8	6	6
EBITDA	427,353	413,158	633,329	700,822	585,194	610,258

Sources: Company and Binaartha

Table: Cash Flow YoY (IDR. Million)

Cash Flow (In IDR Mn)	2015A	2016A	2017A	2018A	2019F	2020F
Net Income	300,325	230,977	444,680	471,258	326,169	337,226
Depreciation	20,771	29,978	24,292	72,047	72,047	78,930
Change in WC	27,401	(507,422)	(952,989)	(1,459,436)	(1,694,408)	3,358,039
Cash From Operating Activities	348,497	(246,467)	(484,016)	(916,131)	(1,296,192)	3,774,195
Capex	(1,562,884)	(1,559,337)	(1,816,369)	(680,619)	(338,357)	131,476
Cash From Investing Activities	(1,562,884)	(1,559,337)	(1,816,369)	(680,619)	(338,357)	131,476
Bonds Payable	0	598,358	657	466,157	1,331,759	0
MTN	0	270,000	1,130,000	280,000	(497,000)	(408,000)
Bank Loans			1,015,012	294,030	410,454	0
Other Long term liabilities	190,261	985,149	(1,060,782)	(233,161)	(49,086)	29,708
Equity	1,151,523	219,347	1,587,518	347,202	339,002	30,782
Cash From Financing Activities	1,341,784	2,072,854	2,672,404	1,154,228	1,535,130	(347,510)
Net Changes in Cash	127,397	267,050	372,019	(442,522)	(99,420)	3,558,161
Beginning Balance	230,025	357,422	624,472	996,491	553,970	454,550
Ending Balance	357,422	624,472	996,491	553,970	454,550	4,012,712

Sources: Company and Binaartha

Table: Statement of Financial Position YoY (IDR. Million)

Statement of Financial Position (In IDR Mn)	2015A	2016A	2017A	2018A	2019F	2020F
ASSETS						
CURRENT ASSETS						
Cash and Cash Equivalents	357,422	624,472	996,491	553,970	454,550	4,012,712
Trade Accounts Receivable	1,199,348	2,810,291	4,239,351	6,014,699	6,576,456	4,419,803
Inventories	1,498,070	1,606,415	1,575,008	3,512,838	4,751,355	3,221,427
Others Current Assets	131,845	123,475	295,376	331,935	333,847	345,675
Total Current Assets	3,186,686	5,164,654	7,106,226	10,413,442	12,116,208	11,999,617
NONCURRENT ASSETS						
Fixed Assets	1,674,282	1,997,713	1,940,116	2,169,719	2,376,993	2,449,040
Other Noncurrent Assets	457,989	1,663,917	3,513,590	3,892,560	3,951,595	3,669,142
Total Noncurrent Assets	2,132,271	3,661,630	5,453,707	6,062,278	6,328,588	6,118,182
TOTAL ASSETS	5,318,957	8,826,284	12,559,932	16,475,720	18,444,796	18,117,799
LIABILITIES AND EQUITY						
LIABILITIES						
CURRENT LIABILITIES						
Short-term Bank Loans	0	0	522,198	1,354,285	1,004,337	1,004,337
Trade Account Payable	658,506	1,777,426	2,005,264	3,181,078	3,478,182	3,115,032
Others Current Liabilities	916,510	1,001,086	867,615	1,150,015	1,310,637	1,357,074
Total Current Liabilities	1,575,016	2,778,512	3,395,076	5,685,378	5,793,156	5,476,443
NONCURRENT LIABILITIES						
Bonds Payable	0	598,358	599,015	1,065,172	2,396,931	2,396,931
MTN	30,000	300,000	1,430,000	1,710,000	1,213,000	805,000
Bank Loans			1,015,012	1,309,042	1,719,497	1,719,497
Others Noncurrent Liabilities	1,196,354	2,181,503	1,120,721	887,560	838,474	868,183
Total Noncurrent Liabilities	1,226,354	3,079,861	4,164,748	4,971,774	6,167,902	5,789,610
TOTAL LIABILITIES	2,801,370	5,858,373	7,559,824	10,657,152	11,961,058	11,266,053
Non-controlling interest	1,708	146,731	218,183	546,230	559,063	578,788
EQUITY	2,515,879	2,821,180	4,781,925	5,272,338	5,924,675	6,272,958
TOTAL LIABILITIES & EQUITY	5,318,957	8,826,284	12,559,932	16,475,720	18,444,796	18,117,799

Sources: Company and Binaartha

Table: Ratio Highlights YoY (IDR. Million)

	2015A	2016A	2017F	2018F	2019F	2020F
Growth (%)						
Revenue	153.6%	33.9%	34.4%	-5.6%	9.3%	3.5%
Operation Income	189.5%	-3.3%	51.2%	-8.7%	-2.2%	3.5%
EBITDA	251.3%	-3.3%	53.3%	10.7%	-16.5%	4.3%
Net Income	198.8%	-23.1%	92.5%	6.0%	-30.8%	3.4%
Profitability (%)						
Gross Profit Margin	29.8%	22.4%	24.0%	25.9%	26.0%	26.0%
Operating Margin	25.6%	18.5%	20.8%	20.1%	18.0%	18.0%
EBITDA Margin	28.4%	20.5%	23.4%	27.4%	20.9%	21.1%
Net Profit Margin	20.0%	11.5%	16.4%	18.4%	11.7%	11.7%
ROA	5.6%	2.6%	3.5%	2.9%	1.8%	1.9%
ROE	11.9%	8.2%	9.3%	8.9%	5.5%	5.4%
Liquidity (x)						
Current Ratio (X)	2.02	1.86	2.09	1.83	2.09	2.19
Cash Ratio	0.23	0.22	0.29	0.10	0.08	0.73
Credit protection						
Debt/EBITDA	6.56	14.18	11.94	15.21	20.44	18.46
Debt/Equity (x)	1.11	2.08	1.58	2.02	2.02	1.80
Debt / Asset	0.53	0.66	0.60	0.65	0.65	0.62
EBITDA int Coverage (x)	12.63	7.25	8.99	11.12	5.86	5.87

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**.

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