

14 June 2022
Construction, Equity

Price IDR. 905
Target Price IDR. 1645
JKSE Index 7031.94



Stock Code **PTPP J**
Bloomberg code **PTPP J**
Market cap (IDR.bn) **7718.9**
52-Week High (IDR) **1370**
52-Week Low (IDR) **800**
6-m Avg Daily. Val (IDR) **890**
Free Float (%) **48.74**

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

USD/IDR-YE
2021A **14263**
2022F **14569**

Key Indicators
Debt/ Equity (x) **1.46**
Current ratio (x) **0.96**

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Investment Consideration 4M22 new contracts IDR 5 trillion

In 4M22, PTPP has booked total new contracts of IDR 5 trillion which is up 29.4% from 4M21 new contracts of IDR 3.87 trillion. New contracts in 4M22 based on business category are: Construction 39%, EPC 21%, overseas 0% and subsidiaries 40%. Based on ownership, 4M22 new contracts come from SOEs 52%, Government 47%, and private 1%. To maximize the acquisition of new contracts in 2022, PTPP will focus on strategic projects owned by SOEs and Government. PTPP is targeting the share of new contracts from SOEs at 49% and Government 44%. In 2022, PT PP has budgeted Capex of IDR 4.375 trillion, an increase of 37.19% from 2021. During 4M22, PTPP has already spent IDR 1.39 trillion, mostly for subsidiaries, inline with their plan to use most of this year's capital expenditure for subsidiaries' projects. We maintain our conservative target for PTPP's 2022 new contracts but believe that revenue will be higher than last year supported by carry over contracts as well as the increase in new contracts. We maintain our CAGR revenue growth during 2021A – 2023F at 17.9%.

Maintaining debt to equity at 1.45x

In 2021, PTPP debt / equity ratio was 1.20X Most of the new debt came from short term and long term bank loans and credit facilities for PTPP and its subsidiaries. We estimate PTPP interest bearing debt / equity for 2022-2023 will be maintained at an average of 1.45x

Valuation: significant upside

We maintain our target price within one year at IDR 1645/share or trading at 23x PER. With 82% upside, we maintain our recommendation, BUY.

| Profit and Loss (IDR.bn) | 2018 A | 2019 A | 2020 A | 2021 A | 2022 F | 2023 F |
|--------------------------|----------|----------|----------|----------|----------|----------|
| Revenue | 25,120 | 24,660 | 15,831 | 16,764 | 19,921 | 23,311 |
| Cost of Revenue | (21,574) | (21,175) | (13,594) | (14,589) | (17,337) | (20,287) |
| Gross Profit | 3,546 | 3,485 | 2,237 | 2,175 | 2,584 | 3,024 |
| Operating expense | (918) | (828) | (584) | (625) | (797) | (932) |
| Operating Profit | 2,628 | 2,657 | 1,653 | 1,549 | 1,787 | 2,091 |
| Other income | 184 | (632) | (1,318) | (1,172) | (398) | (466) |
| PBT | 2,813 | 2,025 | 335 | 377 | 1,389 | 1,625 |
| taxes | (854) | (817) | (23) | (16) | (660) | (772) |
| Minority interest | (457) | (278) | (148) | (95) | (352) | (411) |
| EPS | 242 | 150 | 26 | 43 | 61 | 71 |
| Net Profit | 1,502 | 930 | 164 | 266 | 378 | 442 |
| EBITDA | 4,070 | 3,351 | 1,674 | 2,208 | 3,356 | 3,943 |

Company Profile

In 1953, PT PP (Persero) was established under the name of NV Pembangunan Perumahan based on the Notarial Deed No. 48 dated August 26, 1953. At the time it was established PT PP (Persero) was entrusted to build houses for the officers of PT Semen Gresik Tbk, a subsidiary of BAPINDO in Gresik. In 2009, PTPP conducted an initial public offering (IPO). PT PP (Persero) Tbk operates as a construction and investment company in Indonesia. The company operates in three categories which are upstream, midstream, and downstream through seven segments: Construction, EPC, Precast, Property and Reality, Equipment Rent Service, Infrastructure, and Energy. PTPP develops high-rise buildings, roads and bridges, dams and irrigation projects, and power plants; and develops, constructs, and operates commercial buildings, hotels, apartments, office buildings, residential properties, shopping centers, trade centers, and other facilities.

Company Structure

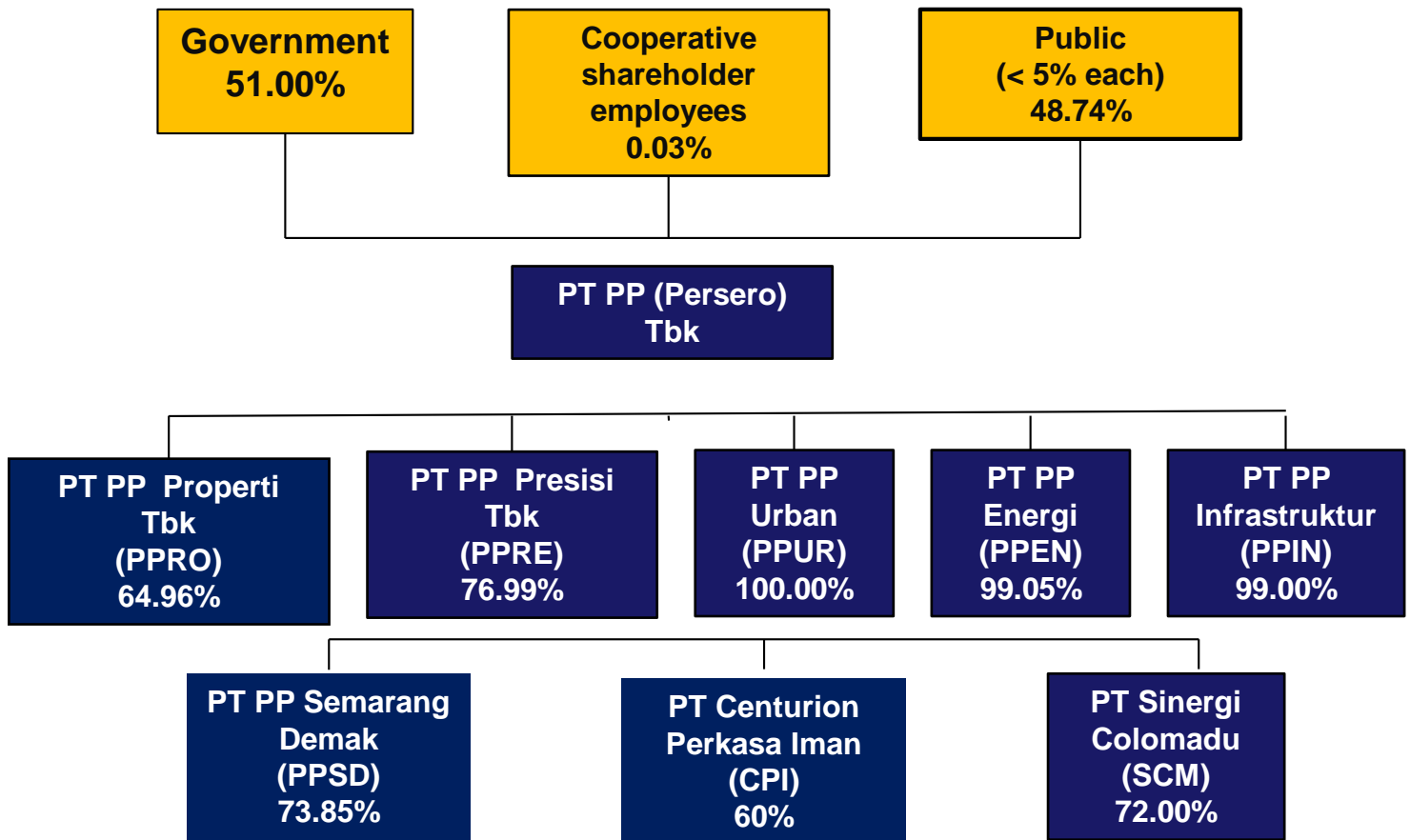


Chart: PTPP's New Contract (IDR. In trillion)



Chart: PTPP's projects based on project owner

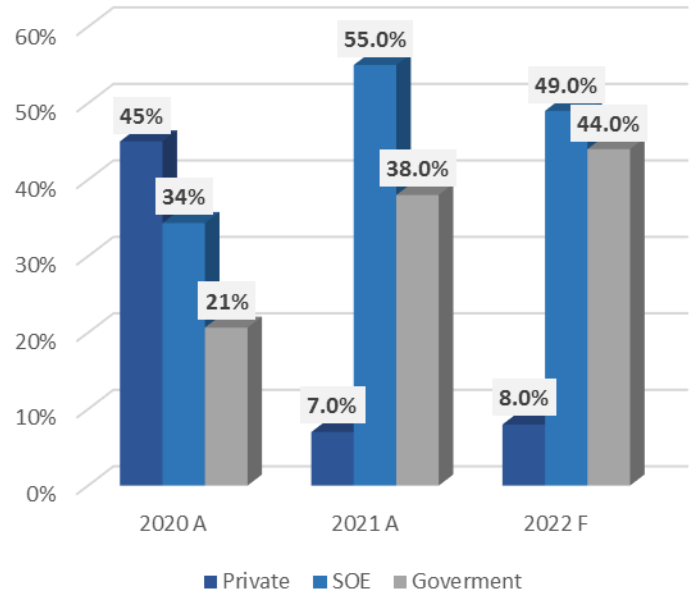


Chart: Contract based on type of project (%)

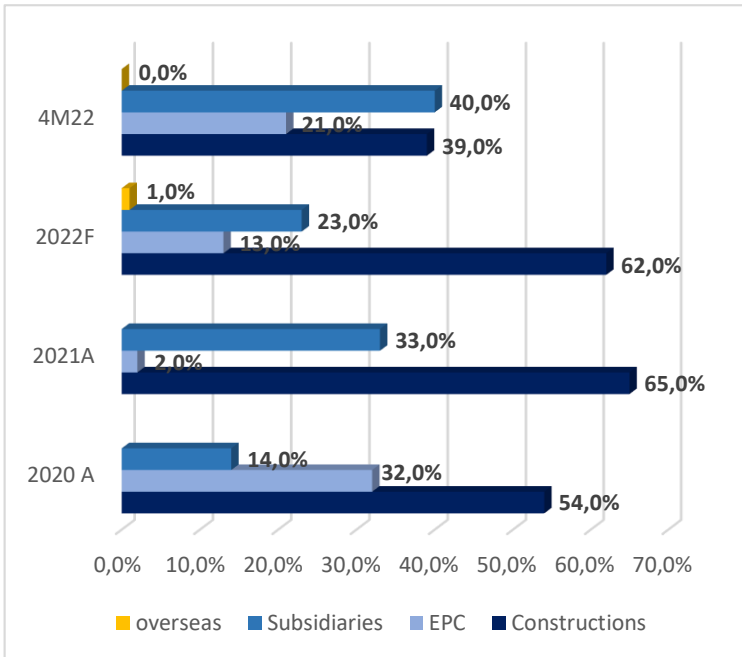
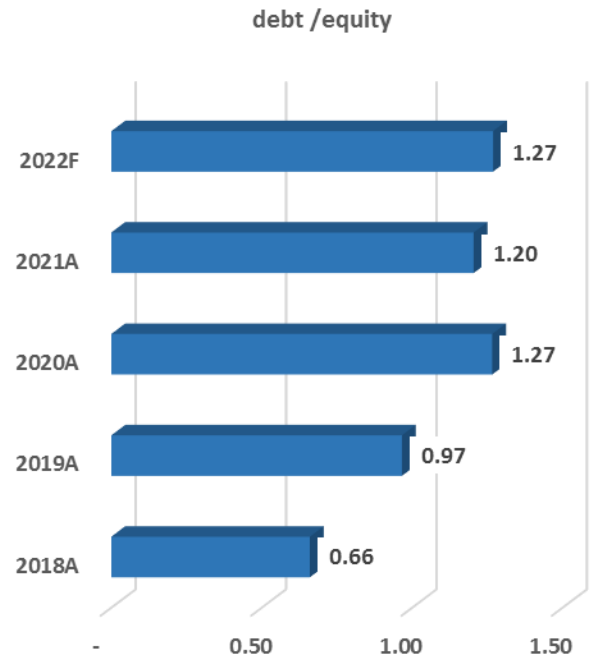


Chart: Debt/equity (x) yoy



Profit and Loss

| Profit and Loss (IDR.bn) | 2018 A | 2019 A | 2020 A | 2021 A | 2022 F | 2023 F |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Revenue | 25,120 | 24,660 | 15,831 | 16,764 | 19,921 | 23,311 |
| Cost of Revenue | (21,574) | (21,175) | (13,594) | (14,589) | (17,337) | (20,287) |
| Gross Profit | 3,546 | 3,485 | 2,237 | 2,175 | 2,584 | 3,024 |
| Operating expense | (918) | (828) | (584) | (625) | (797) | (932) |
| Operating Profit | 2,628 | 2,657 | 1,653 | 1,549 | 1,787 | 2,091 |
| Other income | 184 | (632) | (1,318) | (1,172) | (398) | (466) |
| PBT | 2,813 | 2,025 | 335 | 377 | 1,389 | 1,625 |
| taxes | (854) | (817) | (23) | (16) | (660) | (772) |
| Minority interest | (457) | (278) | (148) | (95) | (352) | (411) |
| EPS | 242 | 150 | 26 | 43 | 61 | 71 |
| Net Profit | 1,502 | 930 | 164 | 266 | 378 | 442 |
| EBITDA | 4,070 | 3,351 | 1,674 | 2,208 | 3,356 | 3,943 |

Cash Flow

| Cash Flow (IDR. bn) | 2018 A | 2019 A | 2020 A | 2021 A | 2022 F | 2023 F |
|--|----------------|----------------|----------------|----------------|----------------|----------------|
| + Net Income | 1,502 | 930 | 164 | 266 | 378 | 442 |
| Depreciation | 498 | 544 | 444 | 488 | 536 | 648 |
| - Change in WC | (2537) | 2189 | 1749 | 1443 | 3044 | 684 |
| Cash From Operating Activities | (537) | 3,664 | 2,357 | 2,197 | 3,957 | 1,774 |
| capex | (1,313) | (1,364) | (136) | 1,037 | (2,967) | (2,333) |
| Other non current asset | (2,324) | (1,788) | (2,233) | (3,819) | (2,476) | (856) |
| cash from investing activities | (3,637) | (3,152) | (2,369) | (2,782) | (5,444) | (3,189) |
| Long term loans | | | | | | |
| Related parties | 798 | 94 | 1,132 | (1,218) | 771 | 576 |
| Third Parties | (432) | 612 | 1,252 | (264) | (781) | 237 |
| advances from project owners and consumers | 102 | 45 | (56) | 1,102 | 390 | 419 |
| Finance lease obligation | 39 | (133) | (84) | 121 | 41 | 44 |
| MTN | 280 | (1,110) | (585) | 15 | 0 | 0 |
| bond | 2,111 | 2,282 | (1,699) | (668) | 0 | 0 |
| other long term liabilities | (29) | (151) | 168 | 532 | 200 | 215 |
| Equity | 571 | (1,694) | (1,709) | 57 | (237) | (240) |
| cash from financing activities | 3,439 | (55) | (1,580) | (323) | 384 | 1,251 |
| Net Changes in Cash | (736) | 458 | (1,593) | (909) | (1,102) | (164) |
| Beginning Balance | 9,383 | 8,647 | 9,105 | 7,512 | 6,603 | 5,501 |
| Ending balance | 8,647 | 9,105 | 7,512 | 6,603 | 5,501 | 5,337 |

Balance Sheet

| Balance sheet (IDR.bn) | 2018 A | 2019 A | 2020 A | 2021 A | 2022 F | 2023 F |
|--|---------------|---------------|---------------|---------------|---------------|---------------|
| Current Asset | | | | | | |
| Cash | 8,647 | 9,105 | 7,512 | 6,603 | 5,501 | 5,337 |
| Short term Investment | 389 | 564 | 500 | 408 | 429 | 450 |
| AR | 10,285 | 4,445 | 5,211 | 5,385 | 5,458 | 6,387 |
| Inventory | 4,659 | 9,566 | 9,525 | 10,915 | 9,975 | 11,672 |
| Other Current Asset | 13,554 | 14,886 | 11,177 | 10,420 | 11,953 | 11,423 |
| Total Current Asset | 37,534 | 38,568 | 33,925 | 33,732 | 33,315 | 35,268 |
| Trade account receivable current portion | | 287 | 210 | 842 | 797 | 932 |
| Fixed Asset | 6,605 | 7,425 | 7,117 | 5,593 | 8,025 | 9,710 |
| Other non current Asset | 8,409 | 9,911 | 12,220 | 15,408 | 17,929 | 18,649 |
| Total Non Current Asset | 15,015 | 17,622 | 19,548 | 21,842 | 26,750 | 29,291 |
| Total Asset | 52,549 | 56,190 | 53,472 | 55,574 | 60,065 | 64,560 |
| Trade Account Payable | 19,571 | 18,100 | 15,526 | 16,067 | 19,102 | 18,521 |
| Short Term bank loans | 2,465 | 3,708 | 5,058 | 6,581 | 7,239 | 8,687 |
| MTN | 200 | 1,230 | 680 | 120 | 300 | 600 |
| Advances from project owners and consumers | 935 | 2,879 | 2,273 | 1,186 | 1,594 | 1,865 |
| Finance lease obligation | 166 | 185 | 126 | 118 | 159 | 186 |
| Bonds payable | 200 | 300 | 2,112 | 2,809 | 3,090 | 3,553 |
| Other Short term liabilities | 2,985 | 2,886 | 2,211 | 3,264 | 2,391 | 3,264 |
| Total Current Liabilities | 26,523 | 29,288 | 27,987 | 30,146 | 33,875 | 36,677 |
| Long term loans | | | | | | |
| Related parties | 2,608 | 2,702 | 3,834 | 2,616 | 3,387 | 3,963 |
| Third Parties | 575 | 1,187 | 2,439 | 2,175 | 1,394 | 1,632 |
| advances from project owners and consumers | 980 | 1,026 | 970 | 2,072 | 2,462 | 2,881 |
| Finance lease obligation | 313 | 180 | 97 | 218 | 259 | 303 |
| MTN | 1,710 | 600 | 15 | 30 | 30 | 30 |
| bond | 3,010 | 5,292 | 3,593 | 2,925 | 2,925 | 2,925 |
| Other Long term liabilities | 513 | 362 | 530 | 1,062 | 1,262 | 1,477 |
| Total Non Current Liabilities | 9,711 | 11,350 | 11,479 | 11,098 | 11,719 | 13,210 |
| Total Liabilities | 36,234 | 40,638 | 39,465 | 41,244 | 45,594 | 49,887 |
| Equity | 16,316 | 15,552 | 14,007 | 14,330 | 14,471 | 14,672 |
| Liabilities + equity | 52,549 | 56,190 | 53,472 | 55,574 | 60,065 | 64,560 |

Ratio Highlights

| Ratio Highlights | 2018 A | 2019 A | 2020 A | 2021 A | 2022 F | 2023 F |
|----------------------------|--------|---------|---------|--------|--------|--------|
| Growth (% YoY) | | | | | | |
| Sales | 16.82% | -1.83% | -35.80% | 5.89% | 18.83% | 17.02% |
| OP | 4.08% | 1.08% | -37.76% | -6.30% | 15.36% | 17.02% |
| EBITDA | 20.10% | -17.66% | -50.06% | 31.94% | 52.01% | 17.47% |
| NP | 3.36% | -38.06% | -82.37% | 62.13% | 41.97% | 17.02% |
| EPS | 3.36% | -38.06% | -82.37% | 62.13% | 41.97% | 17.02% |
| Profitability | | | | | | |
| Operating Margin(%) | 10.46% | 10.77% | 10.44% | 9.24% | 8.97% | 8.97% |
| EBITDA margin(%) | 16.20% | 13.59% | 10.57% | 13.17% | 16.85% | 16.91% |
| NET Profit margin(%) | 5.98% | 3.77% | 1.04% | 1.59% | 1.90% | 1.90% |
| ROA(%) | 2.86% | 1.66% | 0.31% | 0.48% | 0.63% | 0.68% |
| ROE(%) | 9.21% | 5.98% | 1.17% | 1.86% | 2.61% | 3.01% |
| Stability | | | | | | |
| Debt/ equity (X) | 0.66 | 0.97 | 1.27 | 1.20 | 1.27 | 1.46 |
| Current ratio (X) | 1.42 | 1.32 | 1.21 | 1.12 | 0.98 | 0.96 |
| Per Share data (Rp) | | | | | | |
| EPS | 242.3 | 150.1 | 26.5 | 42.9 | 60.9 | 71.3 |
| BVS | 2,632 | 2,508 | 2,259 | 2,311 | 2,334 | 2,367 |

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.

RESEARCH TEAM
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