



BUY

Investment Consideration

Targetting 36% new contracts growth

In 2020, PTPP booked total new contracts of IDR 22,261 trillion which is 687% of their revised target of IDR.25,5 trillion. New contracts' based on business are: Construction 53%, EPC 32%, and subsidiaries 15%. The top 5 Major new contracts in 2020 are Smelter Kolaka line 2,5,6 IDR 3,23 trillion, Data Centre Building IDR 2,4 trillion, RDMP Balikpapan (add) IDR 1,8 trillion, Bogor Apartment IDR 1,17 trillion, and SEZ Mandalika Infrastructure IDR 818 billion. In 2021F, PTPP is targeting new contracts of IDR 30,2 trillion or 35,7% YoY growth. Based on ownership, new contracts come from SOEs 59,56%, Government 36,30%, and private 4,14%. In 2021, PT PP has budgeted Capex of Rp 6.2 trillion or double 2020. Most of the capital expenditure will be used to finance toll road development projects, 37%, property and residential development projects, 9%, regional and airport development, 12%, and investment developments through subsidiaries, 33%. With most projects coming from secure and strong funding, we believe PTPP will see a revenue increase compared to last year. We are optimistic PTPP's 2020 contract target is achievable since the company has historically been able to deliver on targets. We estimate revenue CAGR during 2021-2022 of 19%.

Targetting completion of two National strategic project by this year

PT PP (Persero) Tbk, targets the completion of the construction of 2 dams included in the National Strategic Project ("PSN") by this year. The two dam projects are: The "Way Sekampung" dam development project Package I & III located in Lampung and The "Pidekso" Dam in Central Java. The Way Sekampung Dam Development Project Package I has a contract value of IDR 923 billion. The 1st package has reached 100% progress as of March 2021. In addition to being trusted to work on Package I, PTPP continues to work on Package III. The project has achieved development progress of 54.64%. Meanwhile, "Pidekso" dam construction has a contract value of IDR 739 billion consisting of Phase I, IDR 436.9 billion and Advanced Contract, IDR 302.7 billion. For Pidekso Dam, the overall progress of the construction of the dam has reached 60.32%.

Valuation: 26% upside

We have upgraded our target price within one year to IDR.2025/share or trading at 16,42x PER. With 26% upside, we maintain our recommendation, BUY.

Profit and Loss (IDR.bn)	2018 A	2019 A	2020 A	2021 F	2022 F
Revenue	25.120	24.660	15.831	18.951	22.334
Cost of Revenue	(21.574)	(21.175)	(13.658)	(16.299)	(19.209)
Gross Profit	3.546	3.485	2.173	2.652	3.125
EPS	242	150	21	79	123
Net Profit	1.502	930	129	488	765
EBITDA	4.070	3.351	2.154	3.048	3.576

22 March 2021
Construction, Equity

Price IDR. 1610
Target Price IDR. 2025
JKSE Index 6356.16



Stock Code
Bloomberg code PTPP IJ
Market cap (IDR.bn) 10040
52-Week High (IDR) 2360
52-Week Low (IDR) 484
6-m Avg Daily. Val (IDR) 1410
Free Float (%) 48.74

Major Shareholders (%)
Government RI 51.00%
Koperasi Karyawan
Pemegang Saham PTPP 0.26%
Public 48.74%

USD/IDR-YE
2020A 14050
2021F 14450

Key Indicators
Debt/ Equity (x) 1.72
Current ratio (x) 1.16

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Company Profile

In 1953, PT PP (Persero) was established under the name of NV Pembangunan Perumahan based on the Notarial Deed No. 48 of 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

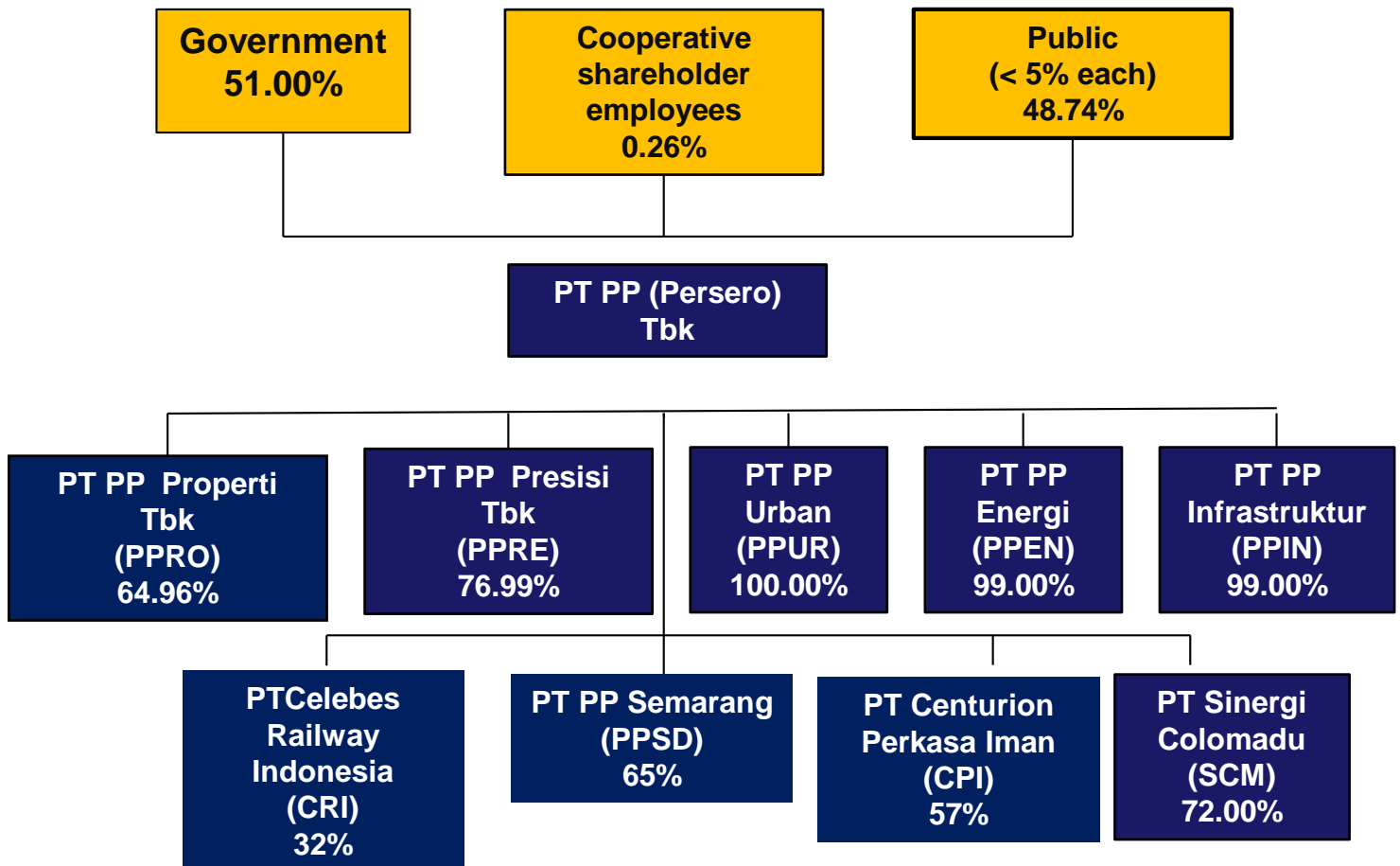


Chart: PTPP's New Contract (IDR. In trillion)



Chart: PTPP's projects based on project owner

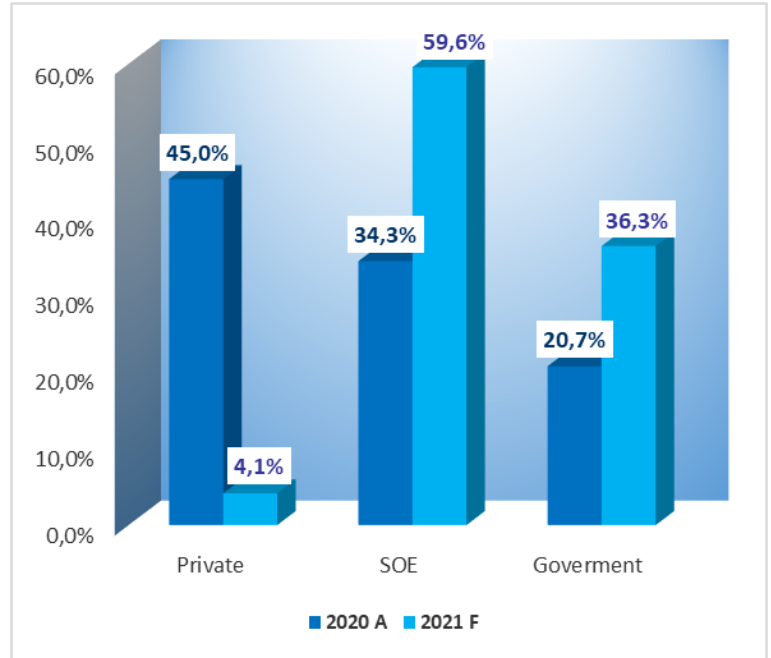


Chart: Contract based on type of project (%)

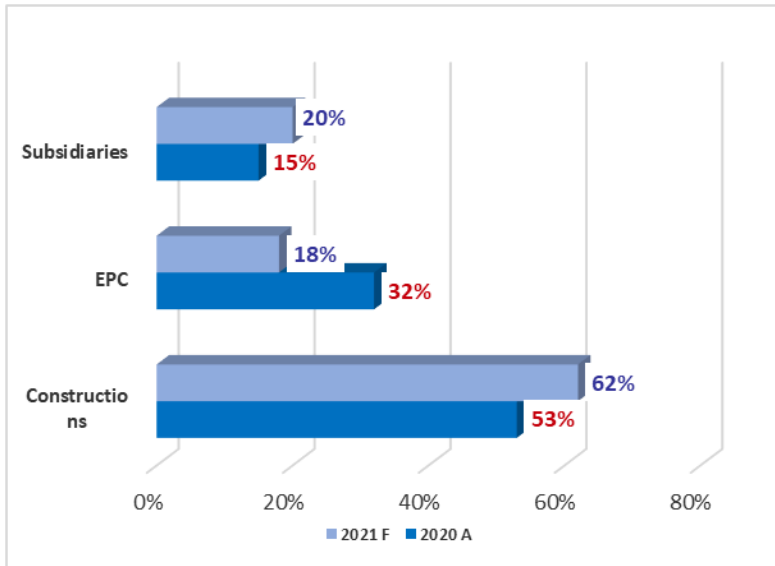
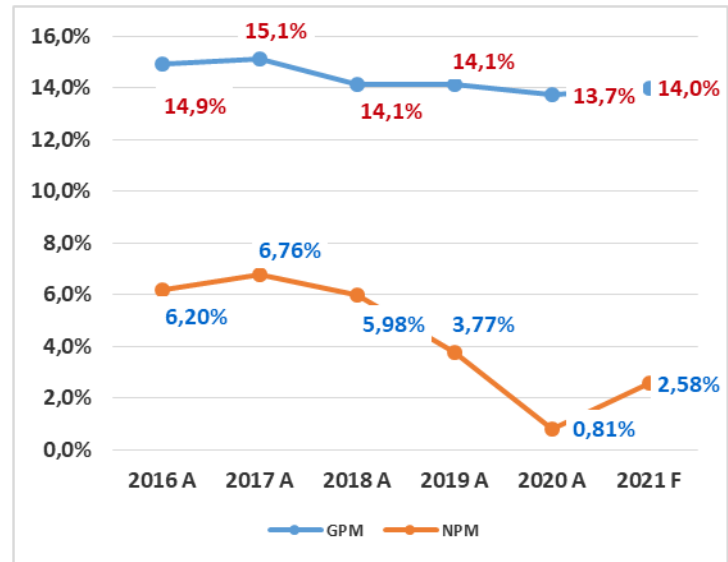


Chart: GPM and NPM yoy



Profit and Loss (IDR.bn)

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Cost of Revenue	(21.574)	(21.175)	(13.658)	(16.299)	(19.209)
Gross Profit	3.546	3.485	2.173	2.652	3.125
Operating expense	(918)	(828)	(584)	(758)	(893)
Operating Profit	2.628	2.657	1.590	1.894	2.232
Other income	184	(632)	(834)	(573)	(451)
PBT	2.813	2.025	756	1.321	1.781
taxes	(854)	(817)	(489)	(628)	(740)
Minority interest	(457)	(278)	(138)	(205)	(276)
EPS	242	150	21	79	123
Net Profit	1.502	930	129	488	765
EBITDA	4.070	3.351	2.154	3.048	3.576

Cash Flow (IDR.bn)

Cash Flow (IDR. bn)	2018 A	2019 A	2020 A	2021 F	2022 F
+ Net Income	1.502	930	129	488	764
Depreciation	498	544	503	538	548
- Change in WC	(2537)	2189	1749	(871)	2506
Cash From Operating Activities	-537	3.664	2.381	156	3.818
capex	-1.313	-1.364	-196	-1.243	-928
Other non current asset	-2.324	-1.788	-2.233	773	-913
cash from investing activities	-3.637	-3.152	-2.429	-470	-1.841
Long term loans					
Related parties	798	94	1.132	1.342	518
Third Parties	-432	612	1.252	-544	-778
advances from project owners and consumers	102	45	-56	-22	169
Finance lease obligation	39	-133	-84	140	42
MTN	280	-1.110	-585	0	0
bond	2.111	2.282	-1.699	0	0
other long term liabilities	-29	-151	168	-252	50
Equity	571	-1.694	-1.674	-1.012	-300
cash from financing activities	3.439	-55	-1.545	-349	-300
Net Changes in Cash	-736	458	-1.593	-663	1.677
Beginning Balance	9.383	8.647	9.105	7.512	6.849
Ending balance	8.647	9.105	7.512	6.849	8.526

Balance Sheet (IDR.bn)

Cash Flow (IDR. bn)	2018 A	2019 A	2020 A	2021 F	2022 F
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Ratio Highlights (IDR.bn)

Ratio Highlights	2018 A	2019 A	2020 A	2021 F	2022 F
Growth (% YoY)					
Sales	16,82%	-1,83%	-35,80%	19,70%	17,85%
OP	4,08%	1,08%	-40,16%	19,12%	17,85%
EBITDA	20,10%	-17,66%	-35,74%	41,50%	17,31%
NP	3,36%	-38,06%	-86,16%	279,23%	56,57%
EPS	3,36%	-38,06%	-86,16%	279,23%	56,57%
Profitability					
Operating Margin(%)	10,46%	10,77%	10,04%	9,99%	9,99%
EBITDA margin(%)	16,20%	13,59%	13,60%	16,08%	16,01%
NET Profit margin(%)	5,98%	3,77%	0,81%	2,58%	3,42%
ROA(%)	2,86%	1,66%	0,24%	0,91%	1,28%
ROE(%)	9,21%	5,98%	0,92%	3,62%	5,48%
Stability					
Debt/ equity (X)	0,80	1,14	1,44	1,63	1,72
Current ratio (X)	1,42	1,32	1,21	1,22	1,16
Per Share data (Rp)					
EPS	242,3	150,1	20,8	78,8	123,3
BVS	2.632	2.508	2.259	2.175	2.250

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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