

5 July 2019
Construction, Equity

Price **IDR. 2120**
Target Price **IDR. 2880**
JKSE Index **6375**



Stock Code
Bloomberg code **PTPP IJ**
Market cap (IDR.bn) **13453.8**
52-Week High (IDR) **2550**
52-Week Low (IDR) **1330**
6-m Avg Daily. Val (IDR) **2142**
Free Float (%) **48.92**

Major Shareholders (%)
Government RI **51.50%**
Others **0.08%**
Public **48.92%**

USD/IDR-YE
2018A **14390**
2019F (Avg) **13128**

Key Indicators
Total Debt/ Equity (x) **2.41**
Current ratio (x) **1.43**

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Investment Consideration

Target 16% new contract growth

PTPP is on track to achieve their new contract target this year. As of May 2019, PTPP has booked total new contracts of IDR. 11.3 trillion which is 22% of their total annual target at IDR. 50.3 trillion. Major contract mostly come from EPC and toll road projects which are RDMP RU V Balikpapan phase II (Rp3 trillion) and Indrapura toll road projects (Rp3 trillion). PTPP also still has major carry over projects including BORR (Rp1 trillion), Patimban toll road (Rp1.7 trillion), MNP (Rp2.5 trillion), and Kulonprogo airport (Rp5.8 trillion). During the last 5 years, PTPP's new contract has grown 21% CAGR (2014-2018). We are optimistic PTPP's 2019 target is achievable since the company has historically been able to deliver on strategic projects and achieve targets.

Additional funds

PTPP plans to sell part of its ownership in three concessions, the Pandaan – Malang toll road in East Java (35%), Kualatanjung port (15%) and the Kualanamu Tebing toll road (15%) in North Sumatra. Those three projects will be divested no later than 4Q19. PTPP expects to raise around IDR. 500 billion in fresh funds from the share sales. PTPP also plans to issue local bonds up to IDR. 1.5 trillion as an alternative funding for this year.

Maintain margin growth

During the last 5 years (2014A-2018A), PTPP was able to improve the net profit margin, despite already having an average NPM better than its peers (WIKA Group) under same holding structure "Perumahan dan Pengembangan kawasan". PTPP average NPM is 5.7% while WIKA is 5.3%. Going forward, to maintain and improve margins, PTPP will develop recurring income from subsidiaries, and through selective private sector and turnkey projects. We estimate NPM during 2019-2020 will be 5.28%

Valuation: 36% upside

Based on DCF, we have a target price within one year of IDR. 2880/share or trading at 8.7x PER. With 36% upside from our valuation, we recommend, BUY.

Profit and Loss (IDR.bn)	2016 A	2017 A	2018 A	2019 F	2020 F
Revenue	16,459	21,502	25,120	32,753	38,944
Cost of Revenue	(14,002)	(18,251)	(21,574)	(28,130)	(33,447)
Gross Profit	2,457	3,251	3,546	4,624	5,497
Operating expense	(492)	(726)	(918)	(983)	(1,168)
Operating Profit	1,965	2,525	2,628	3,641	4,329
Other income	(265)	(90)	184	(328)	(389)
PBT	1,701	2,436	2,813	3,313	3,940
taxes	(552)	(712)	(854)	(1,071)	(1,274)
Minority interest	(128)	(271)	(457)	(514)	(611)
EPS	206	234	242	279	331
Net Profit	1,020	1,453	1,502	1,728	2,055
EBITDA	2,212	3,389	4,070	4,902	5,913

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 category which are upstream, midstream, and downstream through seven segments: Construction, EPC, Precast, Property and Reality, Equipment Rent Service, Infrastructure, and Energy. It 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

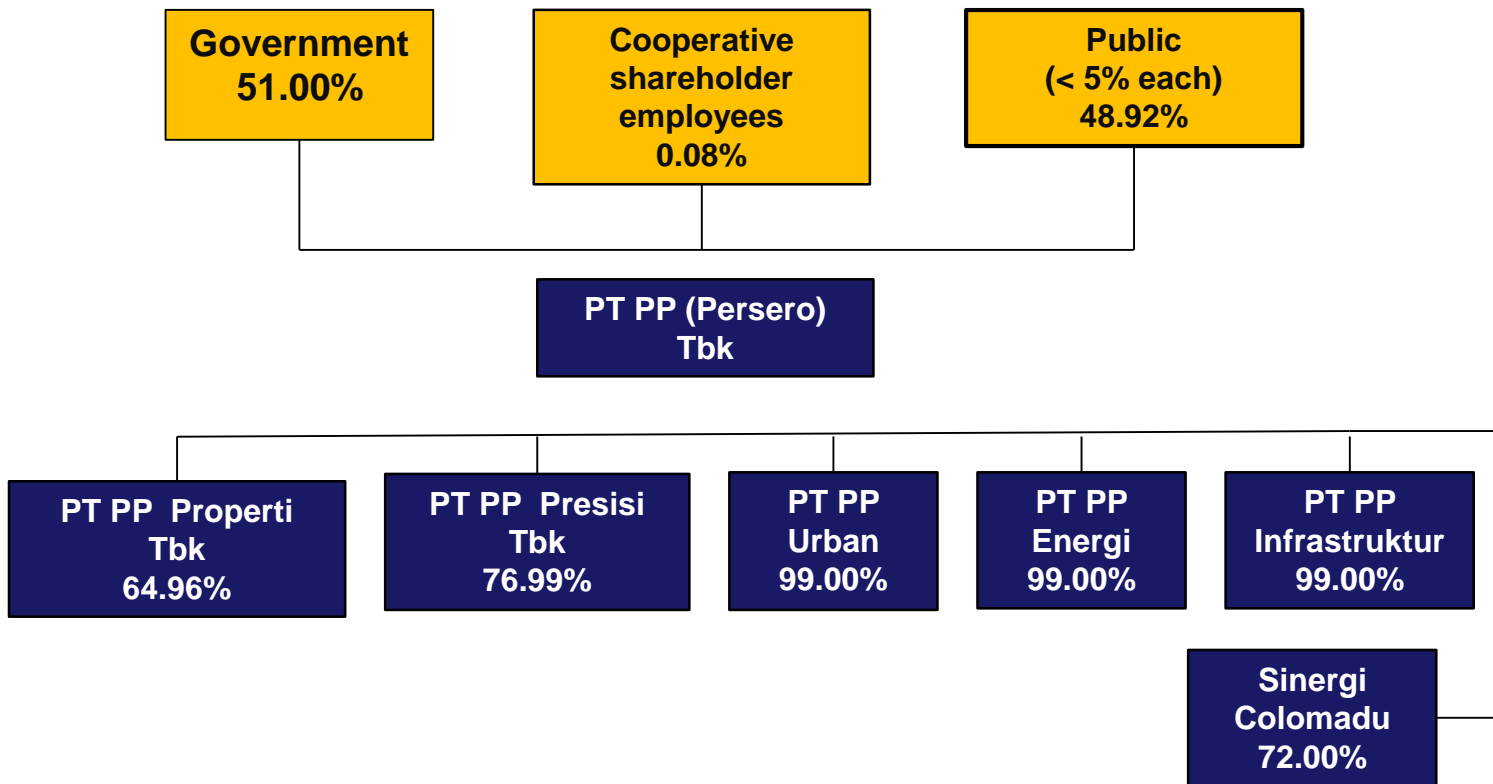


Chart: PTPP's New Contract (IDR. In trillion)



Chart: PTPP's projects type of work

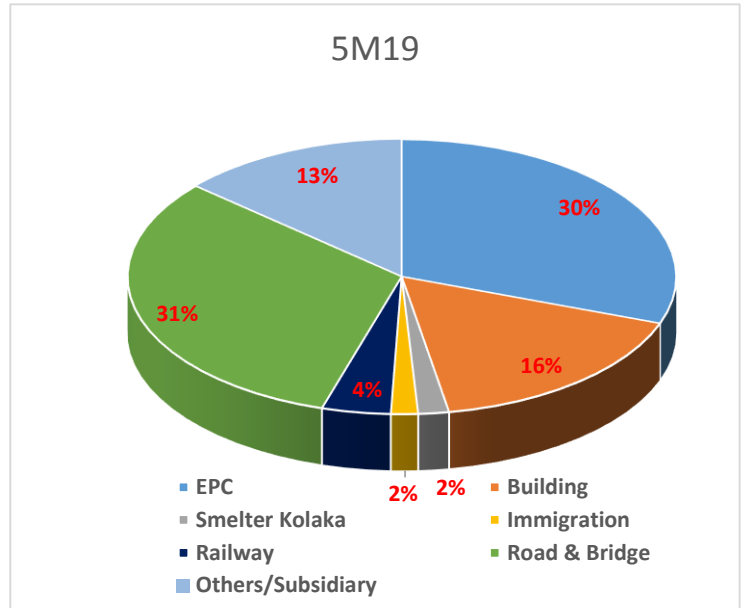


Chart: Debt/Equity ratio yoy (x)

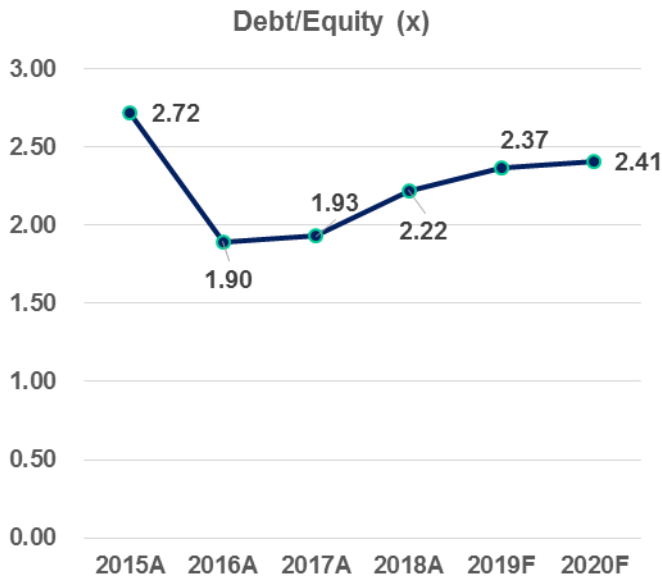
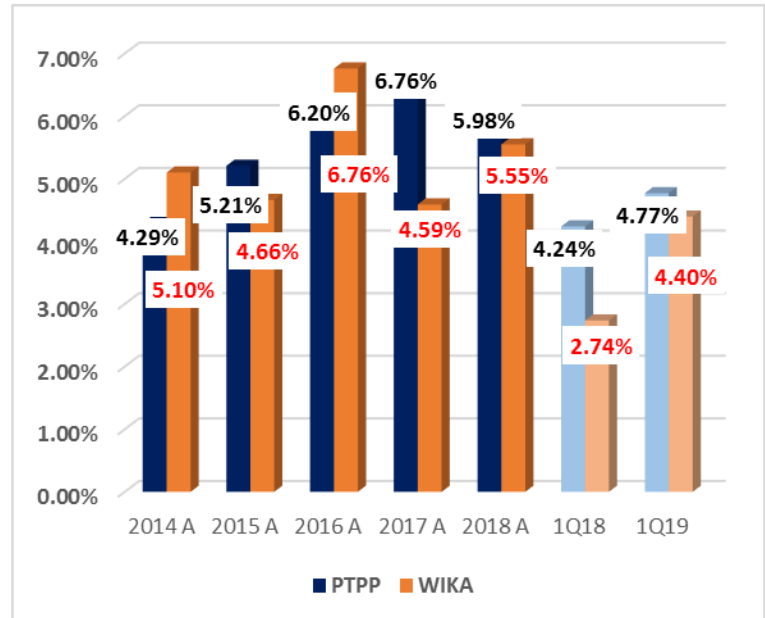


Chart: Net profit growth yoy PTPP vs Peers



Profit and Loss (IDR.bn)

Profit and Loss (IDR.bn)	2015 A	2016 A	2017 A	2018 A	2019 F	2020 F
Revenue	14,217	16,459	21,502	25,120	32,753	38,944
Cost of Revenue	(12,210)	(14,002)	(18,251)	(21,574)	(28,130)	(33,447)
Gross Profit	2,007	2,457	3,251	3,546	4,624	5,497
Operating expense	(410)	(492)	(726)	(918)	(983)	(1,168)
Operating Profit	1,597	1,965	2,525	2,628	3,641	4,329
Other income	(310)	(265)	(90)	184	(328)	(389)
PBT	1,288	1,701	2,436	2,813	3,313	3,940
taxes	(442)	(552)	(712)	(854)	(1,071)	(1,274)
Minority interest	(105)	(128)	(271)	(457)	(514)	(611)
EPS	153	206	234	242	279	331
Net Profit	740	1,020	1,453	1,502	1,728	2,055
EBITDA	1,741	2,212	3,389	4,070	4,883	5,877

Cash Flow (IDR.bn)

Cash Flow (IDR. In bn)	2016 A	2017 A	2018 A	2019 F	2020 F
+ Net Income	1,020	1,453	1,502	1,728	2,055
Depreciation	103	295	498	637	845
- Change in WC	1920	(292)	(2537)	(150)	(1700)
Cash From Operating Activities	3,042	1,456	(537)	2,215	1,199
capex	(893)	(2,305)	(1,313)	(2,091)	(3,482)
Other non current asset	(2,171)	(3,175)	(2,324)	(1,417)	(1,857)
cash from investing activities	(3,064)	(5,479)	(3,637)	(3,508)	(5,339)
Long term loans					
Related parties	340	973	798	504	588
Third Parties	284	695	(432)	(84)	93
advances from project owners and consumers	(137)	104	102	298	242
Finance lease obligation	9	239	39	95	77
MTN	(30)	1,130	280	0	0
bond	599	(699)	2,111	915	742
other long term liabilities	265	(171)	(29)	156	127
Equity	4,611	2,012	571	(69)	827
cash from financing activities	5,942	4,282	3,439	1,815	2,695
Net Changes in Cash	5,920	258	(736)	521	(1,445)
Beginning Balance	3,205	9,125	9,383	8,647	9,169
Ending balance	9,125	9,383	8,647	9,169	7,724

Balance Sheet (IDR.bn)

Balance sheet (IDR.bn)	2015 A	2016 A	2017 A	2018 A	2019 F	2020 F
Current Asset						
Cash	3,205	9,125	9,383	8,647	9,169	8,155
Short term Investment	277	299	204	389	369	369
AR	2,927	4,598	6,293	10,285	11,498	14,020
Inventory	2,499	3,030	2,421	4,659	5,218	6,355
Other Current Asset	6,522	7,473	11,607	13,554	16,377	20,251
Total Current Asset	15,431	24,526	29,908	37,534	42,630	49,149
Non Current Asset						
Fixed Asset	2,989	3,780	5,790	6,605	8,060	10,697
Other non current Asset	739	2,910	6,085	8,409	9,826	11,683
Total Non Current Asset	3,728	6,690	11,875	15,015	17,886	22,380
Total Asset	19,159	31,216	41,783	52,549	60,516	71,529
Trade Account Payable	7,372	10,398	14,472	19,571	19,652	23,366
Short Term bank loans	1,346	1,996	2,150	2,465	3,465	4,465
MTN	0	630	100	200	200	200
Advances from project owners and consumers	698	675	1,145	935	1,219	1,450
Finance lease obligation	14	9	50	166	1,181	1,402
Bonds payable	0	0	700	200	1,700	1,700
Other Short term liabilities	1,340	2,157	2,079	2,985	3,530	4,197
Total Current Liabilities	10,770	15,865	20,697	26,523	30,947	36,780
Long term loans						
Related parties	497	837	1,810	2,608	3,112	3,700
Third Parties	29	313	1,008	575	491	584
advances from project owners and consumers	912	775	879	980	1,278	1,520
Finance lease obligation	26	35	274	313	409	486
MTN	330	300	1,430	1,710	1,710	1,710
bond	999	1,598	899	3,010	3,925	4,667
Other Long term liabilities	449	714	543	513	669	796
Total Non Current Liabilities	3,241	4,572	6,842	9,711	11,594	13,462
Total Liabilities	14,012	20,438	27,540	36,234	42,541	50,242
Equity	5,147	10,778	14,243	16,316	17,975	20,856
Liabilities + equity	19,159	31,216	41,783	52,549	60,516	71,098

Ratio Highlights

Ratio Highlights	2015 A	2016 A	2017 A	2018 A	2019 F	2020 F
Growth (% YoY)						
Revenue	14.40%	15.77%	30.64%	16.82%	30.39%	18.90%
OP	25.92%	23.05%	28.50%	4.08%	38.52%	18.90%
EBITDA	22.58%	27.05%	53.21%	20.10%	19.97%	20.35%
NP	38.79%	37.78%	42.46%	3.36%	15.04%	18.90%
EPS	38.79%	34.88%	13.66%	3.36%	15.04%	18.90%
Profitability						
Operating Margin(%)	11.23%	11.94%	11.74%	10.46%	11.12%	11.12%
EBITDA margin(%)	12.25%	13.44%	15.76%	16.20%	14.91%	15.09%
NET Profit margin(%)	5.21%	6.20%	6.76%	5.98%	5.28%	5.28%
ROA(%)	3.86%	3.27%	3.48%	2.86%	2.86%	2.87%
ROE(%)	14.38%	9.46%	10.20%	9.21%	9.61%	9.85%
Stability						
Tot Debt/ equity (X)	2.72	1.90	1.93	2.22	2.37	2.41
Current ratio (X)	1.43	1.55	1.45	1.42	1.38	1.34
Per Share data (Rp)						
EPS	152.9	206.2	234.4	242.3	278.7	331.4
BVS	1,063	2,179	2,297	2,632	2,899	3,364

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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