

22 September 2020
Construction, Equity

Price IDR. 835
Target Price IDR. 1210
JKSE Index 4999,36



Stock Code **PTPP IJ**
Bloomberg code **13453.8**
Market cap (IDR.bn) **2510**
52-Week High (IDR) **484**
52-Week Low (IDR) **1294**
6-m Avg Daily. Val (IDR) **48.84**
Free Float (%) **48.84**

Major Shareholders (%)
Government RI **51.00%**
Koperasi Karyawan
Pemegang Saham PTPP **0.16%**
Public **48.84%**

USD/IDR-YE
2019A **13866**
2020F (Avg) **14700**

Key Indicators
Debt/ Equity (x) **1.26**
Current ratio (x) **1.30**

Analyst: Revita Dhiah Anggrainy
revita.anggrainy@binaartha.com

Investment Consideration Contract target revised

PTPP has a new revised contract target of IDR. 25 trillion due to the impact of the covid 19 outbreak. As of July 2020, PTPP has booked total new contracts of IDR10,059 trillion which is 40% of their revised target. Major contracts come from construction 51%, EPC 36%, and others including from its subsidiary 13%. Based on project owner in 7M20, PTPP new contracts come from SOE 45%, Private 24%, and Government 31%. Despite the revision, PTPP will continue to operate in accordance with the PUPR health and safety standards. We are optimistic PTPP's new 2020 target is achievable since the company has historically been able to deliver on targets. The EPC business has also proven able to quickly provide new contracts. PTPP will adjust budget reallocation so that cashflow is less affected, by selectively choosing which projects will be revenue drivers in 2020 and in 2021. With the new adjustment, we estimate revenue and net income 2020 will decline by -31% and -84% yoy.

Divestments on track

PTPP will divest 4 projects with a total divestment target in the range of IDR 1.4 trn – 1.6 trn. Of the four projects, one project has been completed, one project will be completed in early September, and two more will be completed by Dec 2020. PTPP is optimistic that the divestments will lead to financial improvements and can be used for construction work that will give a better return. Included are toll road projects Semarang – Demak, Manado Toll Road – Bitung and a Drinking Water (SPAM) project which is already under construction with a capacity of 2500 liters per second. The remainder are in the Property and Energy sectors.

Valuation: 40% upside

Based on our DCF valuation, we have a target price within one year of IDR.1170/share or trading at 9,53x PER. With 40% upside from our valuation, we maintain our recommendation, BUY.

Profit and Loss (IDR.bn)	2017 A	2018 A	2019 A	2020 F	2021 F
Revenue	21.502	25.120	24.660	16.971	22.126
Cost of Revenue	(18.251)	(21.574)	(21.175)	(15.274)	(19.250)
Gross Profit	3.251	3.546	3.485	1.697	2.876
Operating expense	(726)	(918)	(828)	(509)	(664)
Operating Profit	2.525	2.628	2.657	1.188	2.213
Other income	(90)	184	(632)	(343)	(447)
PBT	2.436	2.813	2.025	845	1.765
taxes	(712)	(854)	(817)	(562)	(733)
Minority interest	(271)	(457)	(278)	(131)	(274)
EPS	234	242	150	24	122
Net Profit	1.453	1.502	930	152	759
EBITDA	3.389	4.070	3.351	2.591	3.805

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



Chart: PTPP's projects based on project owner

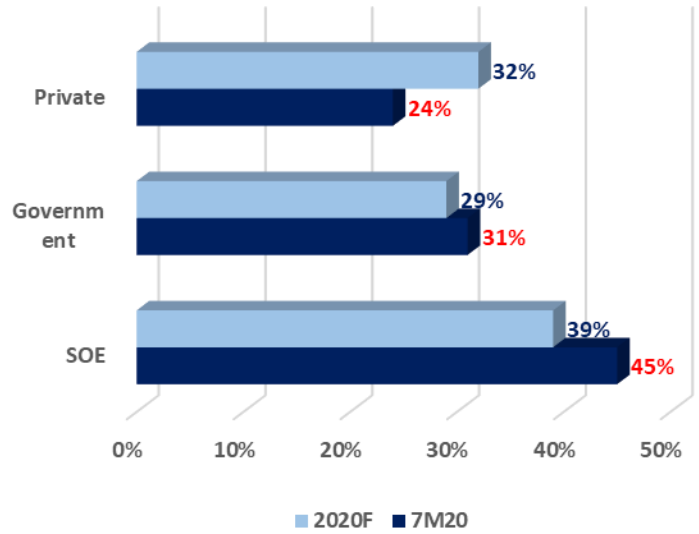


Chart: Contract based on type of project (%)

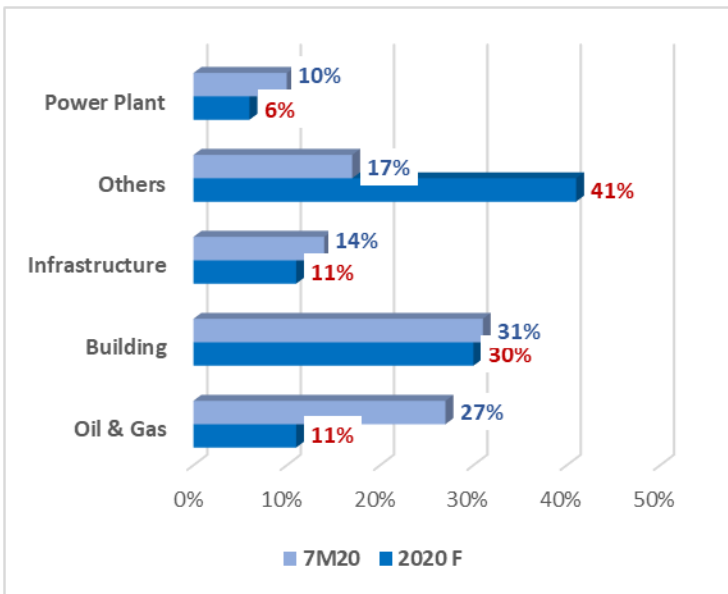
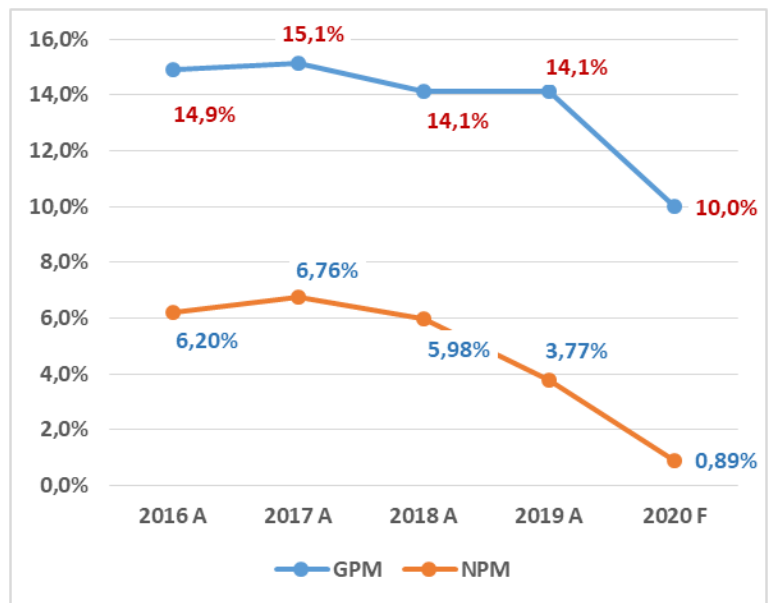


Chart: GPM and NPM yoy



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Cash Flow (IDR.bn)

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+ Net Income	1.453	1.502	930	152	759
Depreciation	295	498	544	485	595
- Change in WC	(292)	(2537)	2189	938	(26)
Cash From Operating Activities	1.456	-537	3.664	1.574	1.328
capex	-2.305	-1.313	-1.364	-1.988	-2.381
Other non current asset	-3.175	-2.324	-1.788	-899	-254
cash from investing activities	-5.479	-3.637	-3.152	-2.886	-2.635
Long term loans					
Related parties	973	798	94	270	1.040
Third Parties	695	-432	612	510	515
advances from project owners and consumers	104	102	45	-177	258
Finance lease obligation	239	39	-133	31	64
MTN	1.130	280	-1.110	0	0
bond	-699	2.111	2.282	264	0
other long term liabilities	-171	-29	-151	-113	76
Equity	2.012	571	-1.694	46	-415
cash from financing activities	4.282	3.439	-55	832	1.539
Net Changes in Cash	258	-736	458	-480	232
Beginning Balance	9.125	9.383	8.647	9.105	8.625
Ending balance	9.383	8.647	9.105	8.625	8.857

Balance Sheet (IDR.bn)

Balance sheet (IDR.bn)	2017 A	2018 A	2019 A	2020 F	2021 F
Current Asset					
Cash	9.383	8.647	9.105	8.625	8.857
Short term Investment	204	389	564	532	532
AR	6.293	10.285	4.445	4.650	5.456
Inventory	2.421	4.659	9.566	8.788	10.390
Other Current Asset	11.607	13.554	14.886	11.880	8.850
Total Current Asset	29.908	37.534	38.568	34.474	34.084
Trade account receivable current portion			287	287	287
Fixed Asset	5.790	6.605	7.425	8.927	10.713
Other non current Asset	6.085	8.409	9.911	10.809	11.063
Total Non Current Asset	11.875	15.015	17.622	20.023	22.063
Total Asset	41.783	52.549	56.190	54.497	56.147
Trade Account Payable	14.472	19.571	18.100	13.903	12.003
Short Term bank loans	2.150	2.465	3.708	5.933	6.526
MTN	100	200	1.230	1.230	1.230
Advances from project owners and consumers	1.145	935	2.879	1.697	2.213
Finance lease obligation	50	166	185	136	177
Bonds payable	700	200	300	150	165
Other Short term liabilities	2.079	2.985	2.886	3.564	3.651
Total Current Liabilities	20.697	26.523	29.288	26.612	25.964
Long term loans					
Related parties	1.810	2.608	2.702	2.972	4.013
Third Parties	1.008	575	1.187	1.697	2.213
advances from project owners and consumers	879	980	1.026	849	1.106
Finance lease obligation	274	313	180	212	276
MTN	1.430	1.710	600	600	600
bond	899	3.010	5.292	5.557	5.557
Other Long term liabilities	543	513	362	249	325
Total Non Current Liabilities	6.842	9.711	11.350	12.136	14.089
Total Liabilities	27.540	36.234	40.638	38.747	40.053
Equity	14.243	16.316	15.552	15.750	16.094
Liabilities + equity	41.783	52.549	56.190	54.497	56.147

Ratio Highlights (IDR.bn)

Ratio Highlights	2017 A	2018 A	2019 A	2020 F	2021 F
Growth (% YoY)					
Sales	30,64%	16,82%	-1,83%	-31,18%	30,37%
OP	28,50%	4,08%	1,08%	-55,28%	86,25%
EBITDA	53,21%	20,10%	-17,66%	-22,68%	46,84%
NP	42,46%	3,36%	-38,06%	-83,71%	400,75%
EPS	13,66%	3,36%	-38,06%	-83,71%	400,75%
Profitability					
Operating Margin(%)	11,74%	10,46%	10,77%	7,00%	10,00%
EBITDA margin(%)	15,76%	16,20%	13,59%	15,27%	17,20%
NET Profit margin(%)	6,76%	5,98%	3,77%	0,89%	3,43%
ROA(%)	3,48%	2,86%	1,66%	0,28%	1,35%
ROE(%)	10,20%	9,21%	5,98%	0,96%	4,71%
Stability					
Debt/ equity (X)	0,62	0,80	1,14	1,26	1,36
Current ratio (X)	1,45	1,42	1,32	1,30	1,31
Per Share data (Rp)					
EPS	234,4	242,3	150,1	24,4	122,4
BVS	2.297	2.632	2.508	2.540	2.596

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
(62-21) 520-6678 ext.612

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