

28 April 2020
Construction, Equity

Price IDR. 605
Target Price IDR. 1530
JKSE Index 4513,14



Stock Code
Bloomberg code
Market cap (IDR.bn)
52-Week High (IDR)
52-Week Low (IDR)
6-m Avg Daily. Val (IDR)
Free Float (%)

PTPP IJ
13453.8
2510
484
1294
48.84

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

51.00%
0.16%
48.84%

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

13866
15400

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

1.18
1.30

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Investment Consideration Steady contract growth

PTPP had a new contract target of IDR. 40,3 trillion but because of the impact of the covid 19 outbreak, PTPP has reduced this by 20%. As of March 2020, PTPP has booked total new contracts of IDR.5,48 trillion which is 13,6% of their total initial annual target. Major contracts come from the EPC business, with the new contracts consisting of engineering, procurement and construction (EPC) projects of IDR. 2.5 trillion, infrastructure and building of IDR. 2,25 trillion, and the rest from subsidiaries IDR. 730 bn. Some projects that have been temporarily put on hold including the UGM campus project and the Serang - Panimbang Toll Road Project. Based on project owner in 1Q20, PTPP new contracts come from SOE 60%, Private 23%, and Government 17%. PTPP will continue to operate construction in accordance with the PUPR health and safety standards. We are optimistic PTPP's 2020 target is achievable since the company has historically been able to deliver on targets. The EPC business has proven to be able to quickly provide new contracts, and so we estimate that PTPP will be able to maintain their gross profit margin at 14%.

Divestment on track

PTPP plans to sell part of its ownership in three concessions, are still on target for this year. The concessions are the Multi Purpose Terminal consortium project and the supporting facilities of Kuala Tanjung Port, in Batu Bara Regency, North Sumatra (45%), Medan Kualanamu Tebing Tinggi Toll Road (MKTT). This toll road is part of the Trans Sumatra toll road, in which PTPP has a 15% stake, and the Pandaan Malang Toll Road in East Java in which PTPP has a 35% share.

Valuation: significant upside

Based on our DCF valuation, we have a target price within one year of IDR.1530/share or trading at 7,36x PER. With significant upside from our valuation, we recommend, BUY.

Profit and Loss (IDR.bn)	2017 A	2018 A	2019 A	2020 F	2021 F
Revenue	21.502	25.120	24.660	25.228	29.404
Cost of Revenue	-18.251	-21.574	-21.175	-21.667	-25.254
Gross Profit	3.251	3.546	3.485	3.561	4.151
Operating expense	-726	-918	-828	-757	-882
Operating Profit	2.525	2.628	2.657	2.804	3.269
Other income	-90	184	-632	-509	-593
PBT	2.436	2.813	2.025	2.296	2.676
taxes	-712	-854	-817	-835	-974
Minority interest	-271	-457	-278	-356	-415
EPS	234	242	150	178	208
Net Profit	1.453	1.502	930	1.104	1.287
EBITDA	3.389	4.070	3.351	4.066	4.924

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

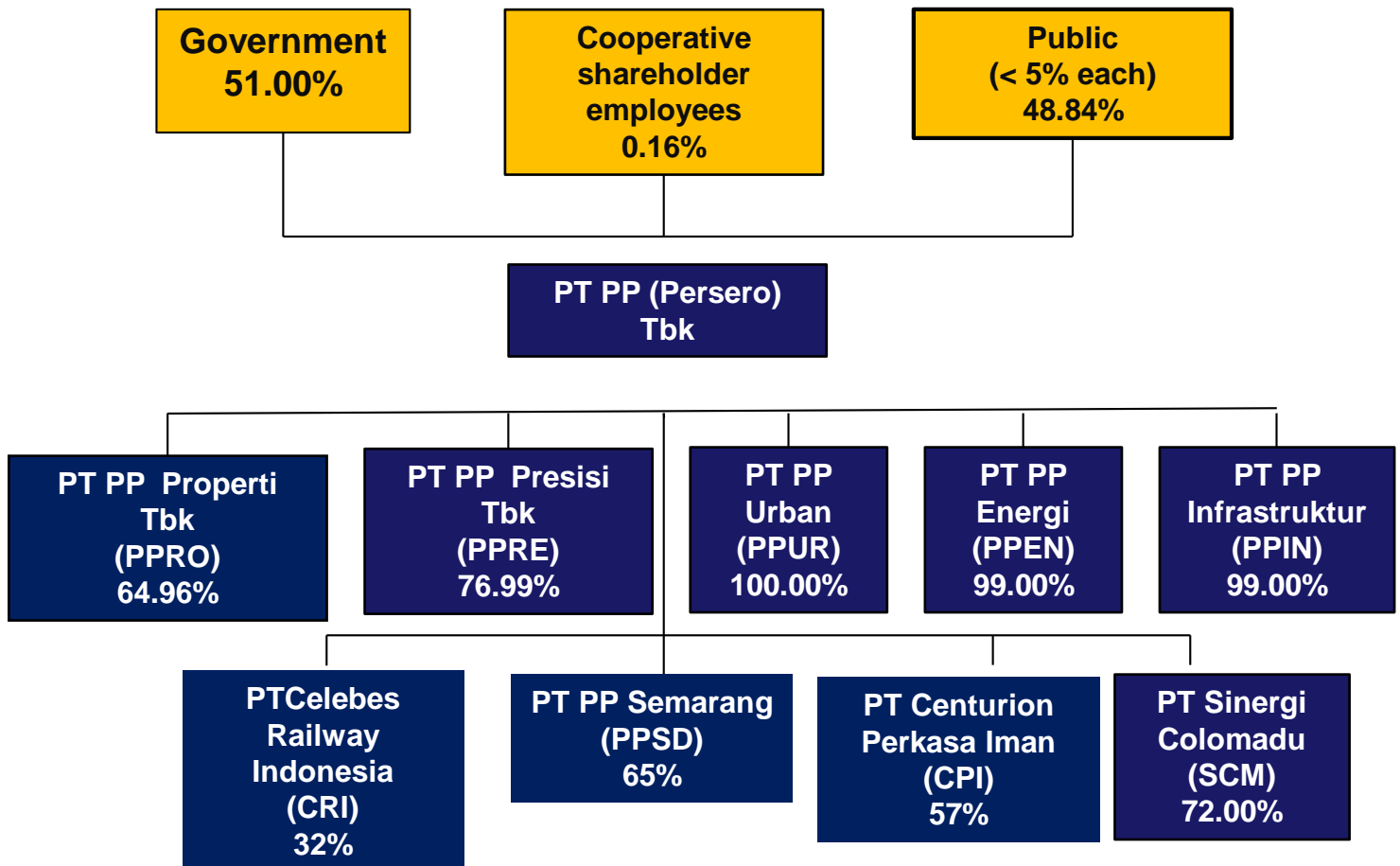


Chart: PTPP's New Contract (IDR. In trillion)



Chart: PTPP's projects based on project owner

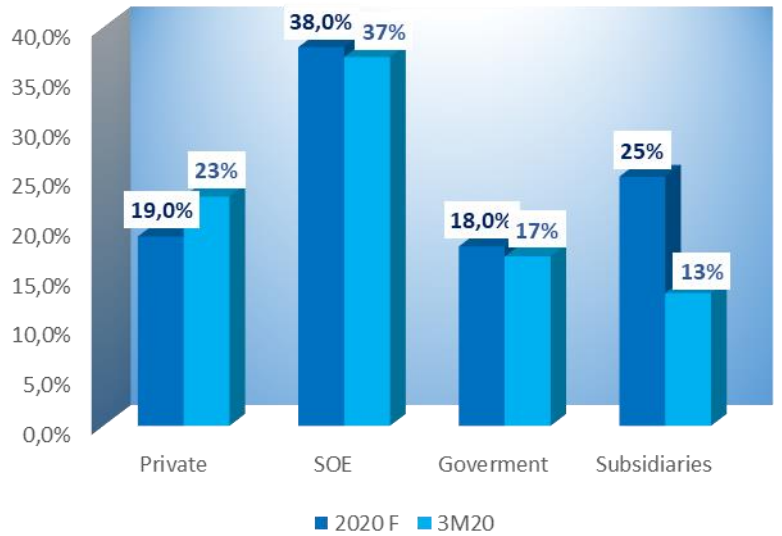


Chart: Contract based on type of project (%)

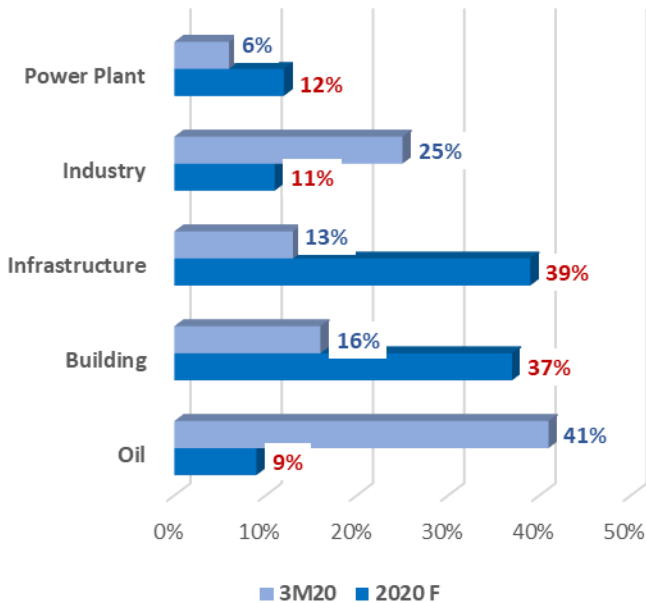
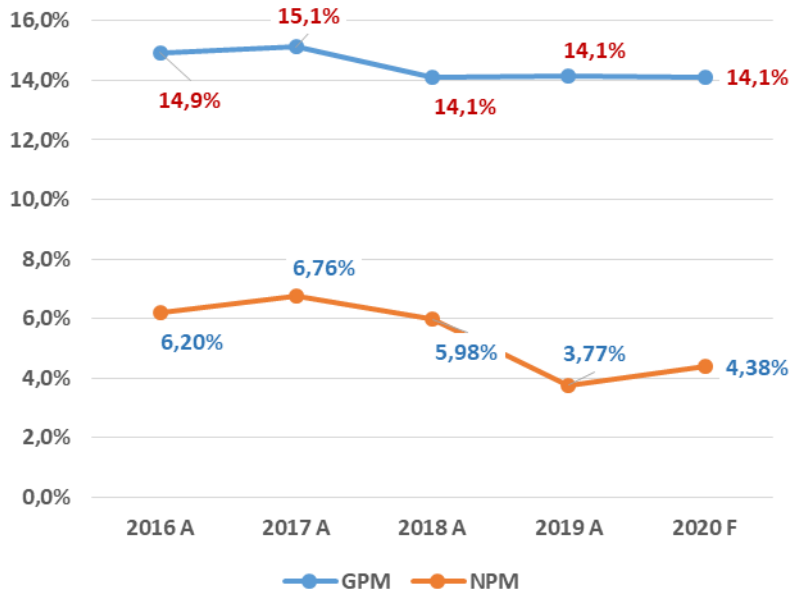


Chart: GPM and NPM yoy



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Cash Flow (IDR.bn)

Cash Flow (IDR. bn)	2017 A	2018 A	2019 F	2020 F	2021 F
+ Net Income	1.453	1.502	930	1.104	1.287
Depreciation	295	498	544	697	893
- Change in WC	(292)	(2537)	256	2320	(535)
Cash From Operating Activities	1.456	-537	1.730	4.121	1.645
capex	-2.305	-1.313	-1.364	-3.154	-3.659
Other non current asset	-3.175	-2.324	-1.627	-1.316	-409
cash from investing activities	-5.479	-3.637	-2.991	-4.470	-4.068
Long term loans					
Related parties	973	798	94	270	1.040
Third Parties	695	-432	612	1.336	418
advances from project owners and consumers	104	102	45	-41	163
Finance lease obligation	239	39	-134	136	52
MTN	1.130	280	-1.110	0	500
bond	-699	2.111	2.282	0	1.000
other long term liabilities	-171	-29	-151	8	61
Equity	2.012	571	80	-967	-288
cash from financing activities	4.282	3.439	1.718	742	2.947
Net Changes in Cash	258	-736	458	393	523
Beginning Balance	9.125	9.383	8.647	9.105	9.498
Ending balance	9.383	8.647	9.105	9.498	10.021

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	9.498	10.021
Short term Investment	204	389	564	564	564
AR	6.293	10.285	10.728	10.506	11.842
Inventory	2.421	4.659	6.338	5.936	6.227
Other Current Asset	11.607	13.554	14.969	15.137	16.172
Total Current Asset	29.908	37.534	41.705	41.642	44.828
Trade account receivable current portion			287		
Fixed Asset	5.790	6.605	7.425	9.882	12.649
Other non current Asset	6.085	8.409	9.750	11.353	11.762
Total Non Current Asset	11.875	15.015	17.461	21.234	24.410
Total Asset	41.783	52.549	59.166	62.876	69.238
Trade Account Payable	14.472	19.571	21.164	20.666	20.140
Short Term bank loans	2.150	2.465	1.761	2.818	4.227
MTN	100	200	1.230	1.230	1.230
Advances from project owners and consumers	1.145	935	813	832	970
Finance lease obligation	50	166	187	202	235
Bonds payable	700	200	300	300	330
Other Short term liabilities	2.079	2.985	5.036	6.307	7.351
Total Current Liabilities	20.697	26.523	30.491	32.355	34.483
Long term loans					
Related parties	1.810	2.608	2.702	2.972	4.013
Third Parties	1.008	575	1.187	2.523	2.940
advances from project owners and consumers	879	980	1.026	985	1.148
Finance lease obligation	274	313	179	315	367
MTN	1.430	1.710	600	600	1.100
bond	899	3.010	5.292	5.292	6.292
Other Long term liabilities	543	513	362	371	432
Total Non Current Liabilities	6.842	9.711	11.348	13.057	16.292
Total Liabilities	27.540	36.234	41.839	45.413	50.775
Equity	14.243	16.316	17.326	17.464	18.463
Liabilities + equity	41.783	52.549	59.166	62.876	69.238

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%	2,30%	16,55%
OP	28,50%	4,08%	1,08%	5,56%	16,55%
EBITDA	53,21%	20,10%	-17,66%	21,64%	21,17%
NP	42,46%	3,36%	-38,06%	18,69%	16,57%
EPS	13,66%	3,36%	-38,06%	18,69%	16,57%
Profitability					
Operating Margin(%)	11,74%	10,46%	10,77%	11,12%	11,12%
EBITDA margin(%)	15,76%	16,20%	13,59%	16,16%	16,80%
NET Profit margin(%)	6,76%	5,98%	3,77%	4,38%	4,38%
ROA(%)	3,48%	2,86%	1,57%	1,76%	1,86%
ROE(%)	10,20%	9,21%	5,37%	6,32%	6,97%
Stability					
Debt/ equity (X)	0,62	0,80	0,88	0,95	1,18
Current ratio (X)	1,45	1,42	1,37	1,29	1,30
Per Share data (Rp)					
EPS	234,4	242,3	150,1	178,1	207,6
BVS	2.297	2.632	2.795	2.817	2.978

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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