

Monday, 12 March 2018

**BUY**  
**Maintain**

|                             |        |
|-----------------------------|--------|
| Last price (IDR)            | 2,940  |
| Target Price (IDR)          | 4,000  |
| Upside/Downside             | +36.1% |
| Previous Target Price (IDR) | 4,000  |

**Stock Statistics**

|                              |              |
|------------------------------|--------------|
| Sector                       | Construction |
| Bloomberg Ticker             | PTPP IJ      |
| No of Shrs (mn)              | 6,200        |
| Mkt. Cap (IDRbn/USDmn)       | 18,228/1,321 |
| Avg. daily T/O (IDRbn/USDmn) | 48.8/3.5     |

**Major shareholders (%)**

|            |      |
|------------|------|
| Government | 51.0 |
|------------|------|

|                      |      |
|----------------------|------|
| Estimated free float | 48.9 |
|----------------------|------|

**EPS Consensus (IDR)**

|                | 2017F | 2018F | 2019F |
|----------------|-------|-------|-------|
| Danareksa      | 229.3 | 337.8 | 430.9 |
| Consensus      | 230.6 | 274.3 | 336.8 |
| Danareksa/Cons | (0.5) | 23.2  | 27.9  |

**PTPP relative to JCI Index**



Source : Bloomberg



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# Pembangunan Perumahan (PTPP IJ)

## Earnings up 42%yoy: in-line

**PTPP booked 2017 earnings growth of 42.0%yoy to IDR1.5tn.** The result is 102.2% of our target and 101.1% of the consensus - in-line. The strong earnings growth was supported by 30.6%yoy revenues growth and IDR438bn of other income. The order book in 2017 reached IDR89.0tn (+24.1%yoy; FY16: IDR71.7tn), supported by IDR48.4tn of carry over contracts. We have a BUY call on PTPP with a TP of IDR4,000.

**Earnings grew 42%yoy; in-line.** PTPP booked 2017 earnings of IDR1.5tn, up 42.0%yoy (FY16: IDR1.0tn). The result is in-line with our target and the consensus (102.2% of our target and 101.1% of the consensus). The strong earnings growth was supported by brisk revenues growth and other income. Other income reached IDR437.8bn (+309.5%yoy, FY16: IDR106.9bn).

**Revenues grew 30.6%yoy.** Revenues reached IDR21.5tn in 2017, up 30.6%yoy (FY16: IDR16.5tn). This figure is 94.6% of our target and 93.7% of consensus estimates. The strong revenues came on the back of the firm order book.

**The order book reached IDR89tn in 2017.** PTPP's order book in 2017 reached ~IDR89.0tn, up 24.1%yoy (FY16: IDR71.7tn), supported by strong carry over contracts which reached IDR48.4tn. The new contracts booked in 2017 reached IDR41.0tn, up 24.6%yoy (FY16: IDR32.6tn). The company targets new contracts to reach IDR49.0tn in 2018, representing growth of ~20.0%yoy. New contracts booked as of Feb 18 stood at IDR5.2tn or 10.6% of the full year target.

**Margins, debt, and cash flow.** Margins were relatively flat, while the interest bearing debt increased slightly. The total interest bearing debt as of Dec 17 reached IDR8.9tn, higher than the previous year's IDR6.8tn. However, the cash as of Dec 17 was also higher at IDR9.4tn, boosted by the IPO of one of PTPP's subsidiaries, PP Presisi (PPRE), in 4Q17. PPRE managed to raise IDR1.0tn from the sale of a 35% stake to the public in the IPO. Hence, the DER as of Dec 17 stood at 0.63x or similar to its level in the previous year. PTPP booked positive operating cash flow of IDR1.5tn, higher than IDR987bn in the previous year.

**We have a BUY call on PTPP.** We are awaiting the issuance of the full notes of the audited 2017 financial result.

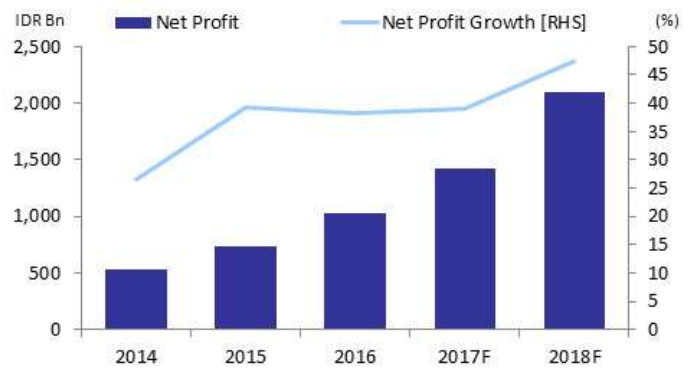
**Key Financials**

| Year to 31 Dec     | 2015A  | 2016A   | 2017F   | 2018F   | 2019F   |
|--------------------|--------|---------|---------|---------|---------|
| Revenue (IDRbn)    | 14,217 | 16,459  | 22,742  | 30,448  | 37,177  |
| EBITDA (IDRbn)     | 1,584  | 2,044   | 2,752   | 3,873   | 4,593   |
| EBITDA Growth (%)  | 25.3   | 29.0    | 34.6    | 40.7    | 18.6    |
| Net profit (IDRbn) | 740    | 1,023   | 1,422   | 2,094   | 2,672   |
| EPS (IDR)          | 119.4  | 165.1   | 229.3   | 337.8   | 430.9   |
| EPS growth (%)     | 39.2   | 38.2    | 38.9    | 47.3    | 27.6    |
| BVPS (IDR)         | 706.8  | 1,580.0 | 1,784.7 | 2,081.1 | 2,440.8 |
| DPS (IDR)          | 22.0   | 23.9    | 49.5    | 68.8    | 101.3   |
| PER (x)            | 24.6   | 17.8    | 12.8    | 8.7     | 6.8     |
| PBV (x)            | 4.2    | 1.9     | 1.6     | 1.4     | 1.2     |
| Dividend yield (%) | 0.7    | 0.8     | 1.7     | 2.3     | 3.4     |
| EV/EBITDA (x)      | 11.6   | 7.8     | 7.7     | 5.9     | 5.2     |

Source : PTPP, Danareksa Estimates

**Exhibit 1. Revenues and Growth**

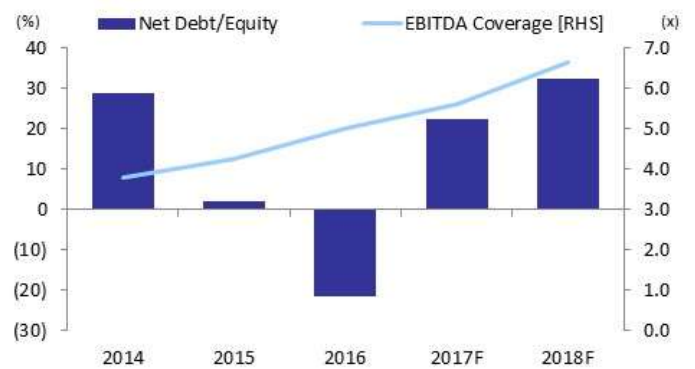

Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. Margins**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**


Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. FY17 RESULT SUMMARY**

| IDR Bn       | 4Q16  | 3Q17  | 4Q17  | QoQ Chg % | YoY Chg % | FY17   | YoY Chg % | Danareksa FY17F | FY17/ FY17F % | Cons. FY17F | FY17/ Cons. % |
|--------------|-------|-------|-------|-----------|-----------|--------|-----------|-----------------|---------------|-------------|---------------|
| Revenue      | 5,613 | 5,635 | 7,741 | 37.4      | 37.9      | 21,502 | 30.6      | 22,742          | 94.6          | 22,950      | 93.7          |
| Gross profit | 941   | 812   | 1,257 | 54.7      | 33.6      | 3,251  | 32.4      | 3,295           | 98.7          | 3,272       | 99.4          |
| Op. Profit   | 900   | 748   | 1,186 | 58.6      | 31.8      | 2,887  | 35.9      | 2,852           | 101.2         | 2,658       | 108.6         |
| Net profit   | 457   | 417   | 463   | 11.0      | 1.4       | 1,453  | 42.0      | 1,422           | 102.2         | 1,438       | 101.1         |
| GPM (%)      | 16.8  | 14.4  | 16.2  | 1.8       | (0.5)     | 15.1   | 0.2       |                 |               |             |               |
| OPM (%)      | 16.0  | 13.3  | 15.3  | 2.1       | (0.7)     | 13.4   | 0.5       |                 |               |             |               |
| NPM (%)      | 8.1   | 7.4   | 6.0   | (1.4)     | (2.2)     | 6.8    | 0.5       |                 |               |             |               |

Source: Company, Bloomberg, Danareksa Sekuritas estimates

### Exhibit 6. Income Statement

| Year to 31 Dec (IDRbn)  | 2015A         | 2016A         | 2017F         | 2018F         | 2019F         |
|-------------------------|---------------|---------------|---------------|---------------|---------------|
| <b>Revenue</b>          | <b>14,217</b> | <b>16,459</b> | <b>22,742</b> | <b>30,448</b> | <b>37,177</b> |
| COGS                    | (12,210)      | (14,003)      | (19,446)      | (25,870)      | (31,736)      |
| <b>Gross profit</b>     | <b>2,007</b>  | <b>2,456</b>  | <b>3,295</b>  | <b>4,578</b>  | <b>5,441</b>  |
| <b>EBITDA</b>           | <b>1,584</b>  | <b>2,044</b>  | <b>2,752</b>  | <b>3,873</b>  | <b>4,593</b>  |
| <b>Oper. profit</b>     | <b>1,664</b>  | <b>2,123</b>  | <b>2,852</b>  | <b>4,009</b>  | <b>4,749</b>  |
| Interest income         | 0             | 0             | 0             | 0             | 0             |
| Interest expense        | (373)         | (409)         | (491)         | (584)         | (620)         |
| Forex Gain/(Loss)       | 0             | 0             | 0             | 0             | 0             |
| Income From Assoc. Co's | 0             | 0             | 0             | 0             | 0             |
| Other Income (Expenses) | (4)           | (11)          | (117)         | (196)         | (240)         |
| <b>Pre-tax profit</b>   | <b>1,288</b>  | <b>1,704</b>  | <b>2,245</b>  | <b>3,229</b>  | <b>3,890</b>  |
| Income tax              | (442)         | (552)         | (622)         | (820)         | (879)         |
| Minority interest       | (105)         | (128)         | (201)         | (315)         | (339)         |
| <b>Net profit</b>       | <b>740</b>    | <b>1,023</b>  | <b>1,422</b>  | <b>2,094</b>  | <b>2,672</b>  |
| <b>Core Net Profit</b>  | <b>804</b>    | <b>1,102</b>  | <b>1,538</b>  | <b>2,291</b>  | <b>2,911</b>  |

### Exhibit 7. Balance Sheet

| Year to 31 Dec (IDRbn)                | 2015A         | 2016A         | 2017F         | 2018F         | 2019F         |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash & cash equivalent                | 3,025         | 9,125         | 6,110         | 4,597         | 4,576         |
| Receivables                           | 8,833         | 11,154        | 16,589        | 21,906        | 26,748        |
| Inventory                             | 2,499         | 2,656         | 2,721         | 3,298         | 4,267         |
| Other Curr. Asset                     | 797           | 1,110         | 866           | 1,030         | 1,179         |
| Fixed assets - Net                    | 2,989         | 4,178         | 5,878         | 6,731         | 7,564         |
| Other non-curr.asset                  | 709           | 2,711         | 3,780         | 4,146         | 4,550         |
| <b>Total asset</b>                    | <b>19,129</b> | <b>31,233</b> | <b>36,259</b> | <b>42,054</b> | <b>49,263</b> |
| ST Debt                               | 1,779         | 3,707         | 6,524         | 5,955         | 7,925         |
| Payables                              | 7,956         | 10,524        | 9,580         | 11,786        | 14,775        |
| Other Curr. Liabilities               | 1,379         | 1,648         | 2,431         | 2,959         | 3,447         |
| Long Term Debt                        | 1,354         | 3,083         | 2,438         | 3,442         | 2,147         |
| Other LT. Liabilities                 | 1,541         | 1,475         | 2,520         | 2,969         | 3,388         |
| <b>Total Liabilities</b>              | <b>14,010</b> | <b>20,437</b> | <b>23,493</b> | <b>27,111</b> | <b>31,681</b> |
| Shareholder's Funds                   | 4,382         | 9,796         | 11,065        | 12,903        | 15,133        |
| Minority interests                    | 737           | 1,000         | 1,701         | 2,041         | 2,449         |
| <b>Total Equity &amp; Liabilities</b> | <b>19,129</b> | <b>31,233</b> | <b>36,259</b> | <b>42,054</b> | <b>49,263</b> |

### Exhibit 8. Cash Flow

| Year to 31 Dec (IDRbn)     | 2015A          | 2016A          | 2017F          | 2018F          | 2019F          |
|----------------------------|----------------|----------------|----------------|----------------|----------------|
| Net income                 | 740            | 1,023          | 1,422          | 2,094          | 2,672          |
| Depreciation and Amort.    | 80             | 80             | 101            | 137            | 156            |
| Change in Working Capital  | (150)          | (423)          | (5,470)        | (3,383)        | (2,547)        |
| Other Oper. Cash Flow      | 486            | (64)           | 1,503          | 926            | 921            |
| <b>Operating Cash Flow</b> | <b>1,156</b>   | <b>616</b>     | <b>(2,445)</b> | <b>(227)</b>   | <b>1,202</b>   |
| Capex                      | (2,469)        | (1,268)        | (1,801)        | (989)          | (989)          |
| Others Inv. Cash Flow      | (349)          | (1,438)        | (1,096)        | (340)          | (375)          |
| <b>Investing Cash Flow</b> | <b>(2,817)</b> | <b>(2,706)</b> | <b>(2,897)</b> | <b>(1,330)</b> | <b>(1,364)</b> |
| Net change in debt         | 36             | 3,656          | 2,172          | 435            | 674            |
| New Capital                | (30)           | 4,414          | 0              | 0              | 0              |
| Dividend payment           | (136)          | (148)          | (307)          | (426)          | (628)          |
| Other Fin. Cash Flow       | 2,409          | 269            | 462            | 34             | 95             |
| <b>Financing Cash Flow</b> | <b>2,279</b>   | <b>8,191</b>   | <b>2,327</b>   | <b>43</b>      | <b>141</b>     |
| <b>Net Change in Cash</b>  | <b>617</b>     | <b>6,100</b>   | <b>(3,015)</b> | <b>(1,514)</b> | <b>(21)</b>    |
| Cash - begin of the year   | 2,408          | 3,025          | 9,125          | 6,110          | 4,597          |
| Cash - end of the year     | 3,025          | 9,125          | 6,110          | 4,597          | 4,576          |

### Exhibit 9. Key Ratios

| Year to 31 Dec           | 2015A | 2016A | 2017F | 2018F | 2019F |
|--------------------------|-------|-------|-------|-------|-------|
| <b>Growth (%)</b>        |       |       |       |       |       |
| Sales                    | 14.4  | 15.8  | 38.2  | 33.9  | 22.1  |
| EBITDA                   | 25.3  | 29.0  | 34.6  | 40.7  | 18.6  |
| Operating profit         | 25.3  | 27.6  | 34.3  | 40.6  | 18.5  |
| Net profit               | 39.2  | 38.2  | 38.9  | 47.3  | 27.6  |
| <b>Profitability (%)</b> |       |       |       |       |       |
| Gross margin             | 14.1  | 14.9  | 14.5  | 15.0  | 14.6  |
| EBITDA margin            | 11.1  | 12.4  | 12.1  | 12.7  | 12.4  |
| Operating margin         | 11.7  | 12.9  | 12.5  | 13.2  | 12.8  |
| Net margin               | 5.2   | 6.2   | 6.3   | 6.9   | 7.2   |
| ROAA                     | 4.4   | 4.1   | 4.2   | 5.3   | 5.9   |
| ROAE                     | 21.9  | 14.4  | 13.6  | 17.5  | 19.1  |
| <b>Leverage</b>          |       |       |       |       |       |
| Net Gearing (x)          | 0.0   | (0.2) | 0.2   | 0.3   | 0.3   |
| Interest Coverage (x)    | 4.5   | 5.2   | 5.8   | 6.9   | 7.7   |

Source : PTPP, Danareksa Estimates

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