

Friday, 27 April 2018

**BUY**  
**Maintain**

Last price (IDR) 2,430  
Target Price (IDR) 3,600  
Upside/Downside +48.1%  
Previous Target Price (IDR) 3,600

**Stock Statistics**

Sector Construction  
Bloomberg Ticker PTPP IJ  
No of Shrs (mn) 6,200  
Mkt. Cap (IDRbn/USDmn) 15,066/1,086  
Avg. daily T/O (IDRbn/USDmn) 39.3/2.8

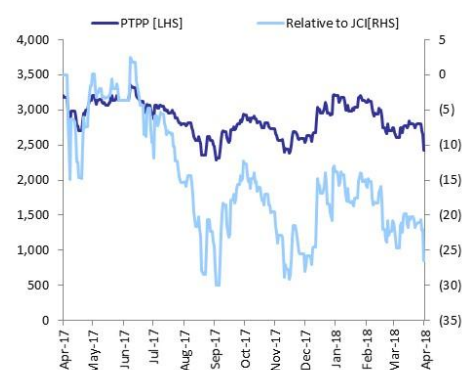
**Major shareholders (%)**

Government 51.0  
Estimated free float 48.9

**EPS Consensus (IDR)**

	2018F	2019F	2020F
Danareksa	280.8	345.1	442.8
Consensus	278.8	349.7	469.9
Danareksa/Cons	0.7	(1.3)	(5.8)

**PTPP relative to JCI Index**



Source : Bloomberg



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# Pembangunan Perumahan (PTPP IJ)

## Change at the top

The shareholders approved the appointment of Mr. Lukman Hidayat as the new CEO of PTPP following the appointment of Mr. Tumiyana as the new CEO of WIKA. Mr. Hidayat previously served as the Director of Strategic planning and Development of PTPP. The shareholders also approved the distribution of cash dividends of IDR46.88 per share, resulting in a dividend yield of 1.9%. **Maintain BUY.**

**Mr Lukman Hidayat has been appointed as the new CEO of PTPP.** This follows the appointment of Mr. Tumiyana (2016 - Apr 18) as the new CEO of WIKA. With more than 28 years of working experience in the company, we believe PTPP will be in capable hands. Mr. Hidayat started his career at PTPP in 1990 and he previously served as the Director of Strategic planning and Development starting from Mar 2014.

**Not many changes in the new BoD.** There are not many changes in PTPP's new BoD. Of the six members of the board, there is only one new face: Mr. Anton Satyo Hendriatmo, the new Director of Building Construction. Mr. Hendriatmo replaces Mr. Aprindy who has been appointed as the Director of Strategic Planning and Development replacing Mr. Hidayat (see exhibit 7 for details).

**Plans to distribute dividends of IDR46.9 per share.** The shareholders also approved the distribution of 20% of the 2017 earnings as cash dividends. This translates into IDR290.6bn in total or IDR46.88 per share. The dividend payment of IDR46.88/sh is 5.3% lower than last year's dividend of IDR49.52/sh due to a lower payout ratio. For this year, the payout ratio is set at 20% or lower than 30% in 2017. At the current share price, the stock has a dividend yield of 1.9%.

**PTPP booked new contracts of IDR5.2tn in 2M18.** This figure is 10.6% of the management's full year target of IDR49.0tn (+18.4%yoy; FY17: IDR41.4tn). As such, the order book as of Feb 18 reached IDR63.3tn, including IDR58.1tn of carry over contracts. By project owner, around 71% of the new contracts booked in 2M18 were SOE projects, 27% private projects, and only 2% government projects. The management expects more government projects to be booked in 2Q onwards.

**Maintain BUY.** We are awaiting the issuance of 1Q18's unaudited result and we believe more contracts will be booked over the following quarters since the announcement of the winning bids for most government projects occurs in 2Q onwards. Yesterday, PTPP's share price dropped 8.3%, resulting in an attractive valuation. Based on the current share price, PTPP trades at 8.7x 2018 PE, below its -1 SD of 12.5x. **Maintain BUY.**

## Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	16,459	21,502	26,834	32,618	42,091
EBITDA (IDRbn)	2,010	2,592	3,222	3,866	4,638
EBITDA Growth (%)	26.9	28.9	24.3	20.0	20.0
Net profit (IDRbn)	1,020	1,495	1,741	2,140	2,746
EPS (IDR)	164.5	241.1	280.8	345.1	442.8
EPS growth (%)	37.8	46.5	16.5	22.9	28.3
BVPS (IDR)	1,556.8	1,847.4	2,114.6	2,440.1	2,854.1
DPS (IDR)	23.9	49.5	46.9	56.2	69.0
PER (x)	14.8	10.1	8.7	7.0	5.5
PBV (x)	1.6	1.3	1.1	1.0	0.9
Dividend yield (%)	1.0	2.0	1.9	2.3	2.8
EV/EBITDA (x)	6.3	5.6	4.8	4.0	3.2

Source : PTPP, Danareksa Estimates

### Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

### Exhibit 2. Net Profits and Growth



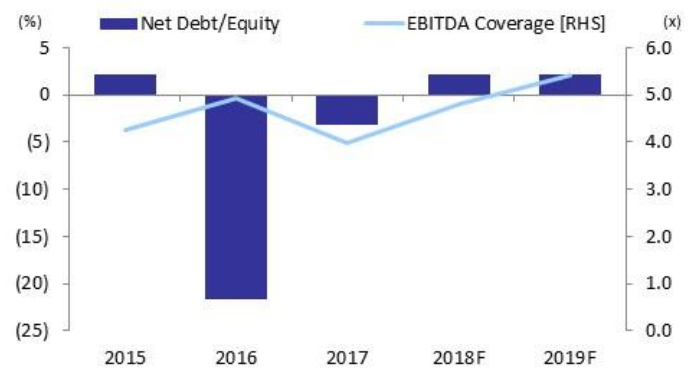
Source: Company, Danareksa Sekuritas estimates

### Exhibit 3. Margins



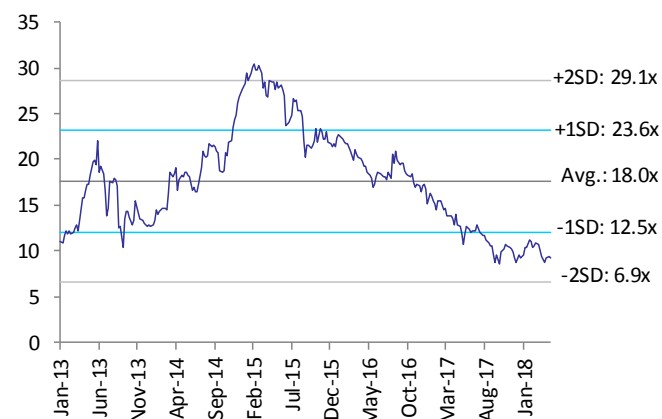
Source: Company, Danareksa Sekuritas estimates

### Exhibit 4. Gearing Level



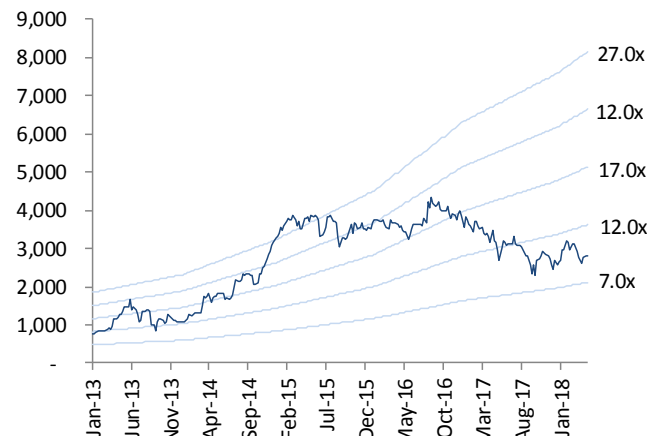
Source: Company, Danareksa Sekuritas estimates

### Exhibit 5. PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

### Exhibit 6. Share Price Chart



Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 7. PTPP's New Board of Directors**

	<b>Old</b>	<b>New</b>	<b>Notes</b>
President Director	Tumiyana	Lukman Hidayat	has joined PTPP since 1990
Director of Finance and Human Capital Management	Agus Purbiyanto	Agus Purbiyanto	since Apr 2016
Director of Infrastructure	M. Toha Fauzi	M. Toha Fauzi	since Apr 2016
Director of EPC and Foreign Partnership	Abdul Haris Tatang	Abdul Haris Tatang	since Apr 2016
Director of Building Construction	M. Aprindy	Anton Satyo Hendriatmo	previously served as Head of Operation Division II of PTPP
Director of Strategic Planning and Development	Lukman Hidayat	M. Aprindy	previously served as Director of Building Construction since Apr 2016

*Source: Company*

### Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
<b>Revenue</b>	<b>16,459</b>	<b>21,502</b>	<b>26,834</b>	<b>32,618</b>	<b>42,091</b>
COGS	(14,002)	(18,251)	(22,869)	(27,810)	(36,208)
<b>Gross profit</b>	<b>2,457</b>	<b>3,251</b>	<b>3,965</b>	<b>4,808</b>	<b>5,884</b>
<b>EBITDA</b>	<b>2,010</b>	<b>2,592</b>	<b>3,222</b>	<b>3,866</b>	<b>4,638</b>
<b>Oper. profit</b>	<b>2,120</b>	<b>2,887</b>	<b>3,588</b>	<b>4,286</b>	<b>5,112</b>
Interest income	0	0	0	0	0
Interest expense	(409)	(653)	(672)	(712)	(708)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	3	0	0	0
Other Income (Expenses)	(11)	241	(147)	(261)	(291)
<b>Pre-tax profit</b>	<b>1,701</b>	<b>2,477</b>	<b>2,769</b>	<b>3,312</b>	<b>4,114</b>
Income tax	(552)	(712)	(738)	(834)	(1,000)
Minority interest	(128)	(271)	(289)	(338)	(369)
<b>Net profit</b>	<b>1,020</b>	<b>1,495</b>	<b>1,741</b>	<b>2,140</b>	<b>2,746</b>
<b>Core Net Profit</b>	<b>1,099</b>	<b>1,630</b>	<b>1,888</b>	<b>2,401</b>	<b>3,036</b>

### Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	9,125	9,383	8,269	7,658	8,136
Receivables	10,975	16,229	17,718	20,862	26,345
Inventory	3,030	2,421	2,769	3,281	4,648
Other Curr. Asset	1,097	1,671	1,164	1,290	1,501
Fixed assets - Net	3,780	5,790	6,513	7,181	7,795
Other non-curr.asset	2,910	6,085	6,325	6,957	7,653
<b>Total asset</b>	<b>31,216</b>	<b>41,783</b>	<b>42,981</b>	<b>47,475</b>	<b>56,349</b>
ST Debt	3,707	3,513	5,149	6,089	5,718
Payables	10,835	15,070	12,304	13,731	17,994
Other Curr. Liabilities	1,323	2,117	2,994	3,503	4,190
Long Term Debt	3,083	5,419	3,474	1,975	2,375
Other LT. Liabilities	1,489	1,421	2,602	3,033	3,557
<b>Total Liabilities</b>	<b>20,438</b>	<b>27,540</b>	<b>26,524</b>	<b>28,330</b>	<b>33,834</b>
Shareholder's Funds	9,652	11,454	13,110	15,128	17,695
Minority interests	1,126	2,789	3,347	4,017	4,820
<b>Total Equity &amp; Liabilities</b>	<b>31,216</b>	<b>41,783</b>	<b>42,981</b>	<b>47,475</b>	<b>56,349</b>

### Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	1,020	1,495	1,741	2,140	2,746
Depreciation and Amort.	110	295	366	420	474
Change in Working Capital	(768)	(309)	(3,299)	(1,935)	(2,209)
Other Oper. Cash Flow	(79)	95	2,066	1,009	1,084
<b>Operating Cash Flow</b>	<b>284</b>	<b>1,575</b>	<b>873</b>	<b>1,634</b>	<b>2,095</b>
Capex	(908)	(2,297)	(1,100)	(1,101)	(1,102)
Others Inv. Cash Flow	(1,616)	(2,434)	(492)	(541)	(595)
<b>Investing Cash Flow</b>	<b>(2,524)</b>	<b>(4,731)</b>	<b>(1,592)</b>	<b>(1,642)</b>	<b>(1,697)</b>
Net change in debt	3,656	2,142	(308)	(560)	30
New Capital	4,414	0	0	0	0
Dividend payment	(148)	(307)	(291)	(348)	(428)
Other Fin. Cash Flow	418	1,622	202	306	479
<b>Financing Cash Flow</b>	<b>8,340</b>	<b>3,457</b>	<b>(396)</b>	<b>(603)</b>	<b>81</b>
<b>Net Change in Cash</b>	<b>6,100</b>	<b>301</b>	<b>(1,115)</b>	<b>(611)</b>	<b>478</b>
Cash - begin of the year	3,025	9,125	9,383	8,269	7,658
Cash - end of the year	9,125	9,383	8,269	7,658	8,136

### Exhibit 11. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
<b>Growth (%)</b>					
Sales	15.8	30.6	24.8	21.6	29.0
EBITDA	26.9	28.9	24.3	20.0	20.0
Operating profit	27.4	36.1	24.3	19.4	19.3
Net profit	37.8	46.5	16.5	22.9	28.3
<b>Profitability (%)</b>					
Gross margin	14.9	15.1	14.8	14.7	14.0
EBITDA margin	12.2	12.1	12.0	11.9	11.0
Operating margin	12.9	13.4	13.4	13.1	12.1
Net margin	6.2	7.0	6.5	6.6	6.5
ROAA	4.1	4.1	4.1	4.7	5.3
ROAE	14.5	14.2	14.2	15.2	16.7
<b>Leverage</b>					
Net Gearing (x)	(0.2)	0.0	0.0	0.0	0.0
Interest Coverage (x)	5.2	4.4	5.3	6.0	7.2

Source : PTPP, Danareksa Estimates

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