

Monday, 10 September 2018

BUY
Maintain

Last price (IDR) 1,635
Target Price (IDR) 2,800
Upside/Downside +71.3%
Previous Target Price (IDR) 3,600

Stock Statistics

Sector Construction
Bloomberg Ticker PTPP IJ
No of Shrs (mn) 6,200
Mkt. Cap (IDRbn/USDmn) 10,137/684
Avg. daily T/O (IDRbn/USDmn) 29.3/2.0

Major shareholders (%)

Government 51.0
Estimated free float 48.9

EPS Consensus (IDR)

	2018F	2019F	2020F
Danareksa	269.7	314.3	405.3
Consensus	277.4	349.4	444.9
Danareksa/Cons	(2.8)	(10.0)	(8.9)

PTPP relative to JCI Index



Source : Bloomberg



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Pembangunan Perumahan(PTPP IJ)

Energizing PTPP

PTPP is enlarging its investment business by focusing on energy, toll roads, and water treatment. The company recently acquired an oil company and tank storage for its energy business. In addition, PTPP is also looking to acquire three new toll road concessions and to develop three water treatment projects. The investment in infrastructure projects is also expected to create works for the construction division. We roll over our valuation based on 2019 EPS and arrive at a new TP of IDR2,800 (old: IDR3,600) taking into account a lower PE target.

PTPP has recently completed the acquisition of two energy companies, namely: 1) Odira Energy, in which PTPP bought a 95% stake for ~USD3.0mn. The company owns an oil field located in Palembang, South Sumatra with current production capacity of 1,000 barrels/day translating into ~IDR50bn-60bn of expected earnings per year. The capacity is targeted to increase to 3,000-5,000 barrels/day in the future.

The other energy project is 2) Tank storage, for which PTPP plans to invest ~USD400mn in tank storage development in Nipa Island (near to Singapore) with a capacity reaching 1mn m3. The IRR is expected to reach 9%-10% in USD terms, based on a USD41/barrel oil price assumption. Around 80% of the investment is construction costs which will be booked by PTPP as the contractor gradually over the next three years during the construction period.

Investment in toll roads. PTPP is looking to obtain 3 new toll road concessions in 2H18 with a total length reaching around 230km. The investment needed for these toll roads is approximately IDR42.4tn. PTPP seeks majority ownership in two of them with stakes of around 51%-60%. Nonetheless, concessionary rights in these two toll roads have not been tendered yet by the toll road authority. As for the third toll road, PTPP seeks minority ownership with a stake less than 15%.

Investment in water treatment. PTPP has three projects in the pipeline: 1) in Bekasi with a capacity of 200lt/sec, 2) in southern Tangerang for which PTPP has teamed up with a Philippines company, to develop a 1000lt/sec water treatment project. The construction of these two water treatment projects is targeted to be completed in 2019. And 3) PTPP will be the initiator of a 2,000lt/sec water treatment project in Bali. Construction of the project is expected to start in the near future and be completed in 2020.

Valuation. We believe PTPP has sufficient funds to undertake its investments. It has cash of IDR5.3tn while the DER stands at 0.76x. We roll over our valuation based on 2019 EPS and arrive at a new TP of IDR2,800 (old: IDR3,600). Our new TP is based on a -1SD 2019 PE target of 9.0x (old: 12.5x). Maintain BUY

Key Financials

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	16,459	21,502	27,384	32,630	41,265
EBITDA (IDRbn)	2,010	2,592	3,077	3,665	4,357
EBITDA Growth (%)	26.9	28.9	18.7	19.1	18.9
Net profit (IDRbn)	1,020	1,495	1,672	1,949	2,513
EPS (IDR)	164.5	241.1	269.7	314.3	405.3
EPS growth (%)	37.8	46.5	11.9	16.5	28.9
BVPS (IDR)	1,556.8	1,847.4	2,103.5	2,400.4	2,783.0
DPS (IDR)	23.9	49.5	46.9	53.9	62.9
PER (x)	9.9	6.8	6.1	5.2	4.0
PBV (x)	1.1	0.9	0.8	0.7	0.6
Dividend yield (%)	1.5	3.0	2.9	3.3	3.8
EV/EBITDA (x)	3.9	3.7	3.4	2.9	2.4

Source : PTPP, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



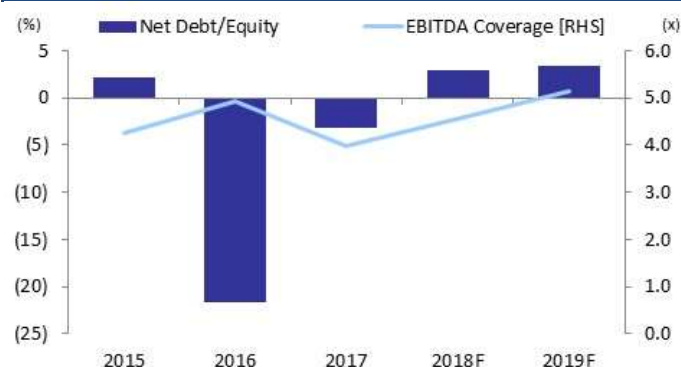
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



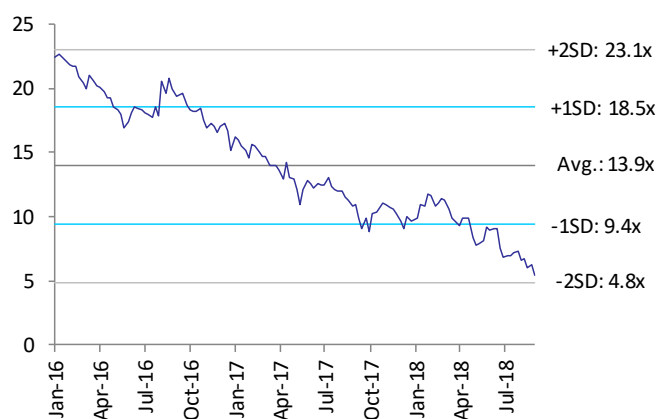
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



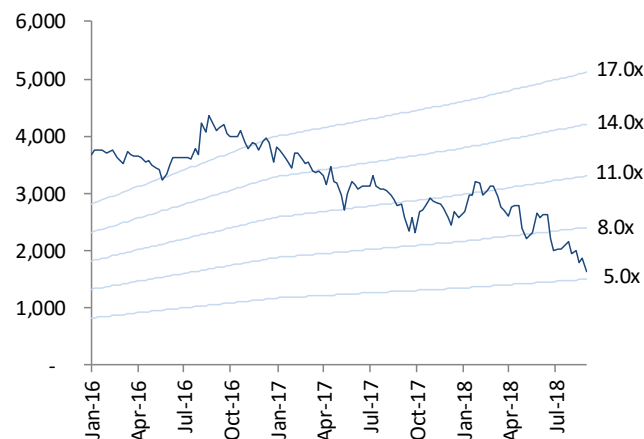
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. Share Price Chart



Source: Bloomberg, Danareksa Sekuritas estimates

New contracts booked reached 55% of the target as of Jul18. New contracts as of Jul18 reached IDR27.2tn or 55.4% of management's full year target at IDR49.1tn. The new contracts grew by 24.4%yoy (7M17: IDR21.9tn). Around 81% (IDR22.0tn) of the new contracts were booked by PTPP, PPRO contributed 11% (IDR3.0tn) of the contracts, and the remaining 8% were coming from other subsidiaries.

Exhibit 7. Changes in forecast

	Old		New		Chg. (%)	
	2018	2019	2018	2019	2018	2019
New contracts	47,610	54,752	44,000	46,763	-7.6%	-14.6%
Carry over	52,638	64,054	58,700	72,095	11.5%	12.6%
Order book	100,248	118,805	102,700	118,858	2.4%	0.0%
Revenue	26,834	32,618	27,384	32,630	2.1%	0.0%
Op. profit	3,588	4,286	3,443	4,085	-4.0%	-4.7%
Net income	1,741	2,140	1,672	1,949	-4.0%	-8.9%
OPM (%)	13.4%	13.1%	12.6%	12.5%		
NPM (%)	6.5%	6.6%	6.1%	6.0%		

Source: Danareksa Sekuritas estimates

Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Revenue	16,459	21,502	27,384	32,630	41,265
COGS	(14,002)	(18,251)	(23,347)	(27,820)	(35,486)
Gross profit	2,457	3,251	4,038	4,810	5,780
EBITDA	2,010	2,592	3,077	3,665	4,357
Oper. profit	2,120	2,887	3,443	4,085	4,832
Interest income	0	0	0	0	0
Interest expense	(409)	(653)	(674)	(715)	(704)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	3	0	0	0
Other Income (Expenses)	(11)	241	(75)	(262)	(285)
Pre-tax profit	1,701	2,477	2,694	3,108	3,843
Income tax	(552)	(712)	(728)	(822)	(968)
Minority interest	(128)	(271)	(294)	(338)	(363)
Net profit	1,020	1,495	1,672	1,949	2,513
Core Net Profit	1,099	1,630	1,747	2,210	2,798

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Cash & cash equivalent	9,125	9,383	8,213	7,419	7,727
Receivables	10,975	16,229	18,082	20,870	25,828
Inventory	3,030	2,421	2,836	3,282	4,542
Other Curr. Asset	1,097	1,671	1,167	1,281	1,475
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
Total asset	31,216	41,783	43,360	47,237	55,291
ST Debt	3,707	3,513	5,213	6,090	5,627
Payables	10,835	15,070	12,588	13,736	17,603
Other Curr. Liabilities	1,323	2,117	3,046	3,504	4,119
Long Term Debt	3,083	5,419	3,474	1,975	2,375
Other LT. Liabilities	1,489	1,421	2,651	3,034	3,492
Total Liabilities	20,438	27,540	26,972	28,338	33,216
Shareholder's Funds	9,652	11,454	13,041	14,882	17,255
Minority interests	1,126	2,789	3,347	4,017	4,820
Total Equity & Liabilities	31,216	41,783	43,360	47,237	55,291

Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2016A	2017A	2018F	2019F	2020F
Net income	1,020	1,495	1,672	1,949	2,513
Depreciation and Amort.	110	295	366	420	474
Change in Working Capital	(768)	(309)	(3,398)	(1,830)	(2,026)
Other Oper. Cash Flow	(79)	95	2,116	964	1,014
Operating Cash Flow	284	1,575	755	1,502	1,975
Capex	(908)	(2,297)	(1,100)	(1,101)	(1,102)
Others Inv. Cash Flow	(1,616)	(2,434)	(492)	(541)	(595)
Investing Cash Flow	(2,524)	(4,731)	(1,592)	(1,642)	(1,697)
Net change in debt	3,656	2,142	(244)	(623)	(63)
New Capital	4,414	0	0	0	0
Dividend payment	(148)	(307)	(291)	(334)	(390)
Other Fin. Cash Flow	418	1,622	201	303	483
Financing Cash Flow	8,340	3,457	(334)	(655)	31
Net Change in Cash	6,100	301	(1,170)	(795)	309
Cash - begin of the year	3,025	9,125	9,383	8,213	7,419
Cash - end of the year	9,125	9,383	8,213	7,419	7,727

Exhibit 11. Key Ratios

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Growth (%)					
Sales	15.8	30.6	27.4	19.2	26.5
EBITDA	26.9	28.9	18.7	19.1	18.9
Operating profit	27.4	36.1	19.3	18.7	18.3
Net profit	37.8	46.5	11.9	16.5	28.9
Profitability (%)					
Gross margin	14.9	15.1	14.7	14.7	14.0
EBITDA margin	12.2	12.1	11.2	11.2	10.6
Operating margin	12.9	13.4	12.6	12.5	11.7
Net margin	6.2	7.0	6.1	6.0	6.1
ROAA	4.1	4.1	3.9	4.3	4.9
ROAE	14.5	14.2	13.7	14.0	15.6
Leverage					
Net Gearing (x)	(0.2)	0.0	0.0	0.0	0.0
Interest Coverage (x)	5.2	4.4	5.1	5.7	6.9

Source : PTPP, Danareksa Estimates

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