

Friday, 01 November 2019

BUY
Maintain

Last price (IDR) 1,775
Target Price (IDR) 2,900
Upside/Downside +63.4%
Previous Target Price (IDR) 2,900

Stock Statistics

Sector Construction
Bloomberg Ticker PTPP IJ
No of Shrs (mn) 6,200
Mkt. Cap (IDRbn/USDmn) 11,005/784
Avg. daily T/O (IDRbn/USDmn) 40.3/2.9

Major shareholders (%)

Government 51.0
Public 49.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	274.7	316.9	361.3
Consensus	250.9	297.2	337.1
Danareksa/Cons	9.5	6.6	7.2

PTPP relative to JCI Index



Source : Bloomberg



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Pembangunan Perumahan (PTPP IJ)

Weak results from changes in the sales mix

The 9M19 earnings fell by 37.8%yoy to IDR544bn caused by lower gross margins and lower other income. The earnings are below our expectations and the consensus. The lower gross margin reflects changes in the sales mix, since revenues from EPC and property dropped by 52%yoy and 57%yoy, respectively. Revenues grew by +8.6%yoy to IDR16.1tn. The DER increased to 1.0x on the back of negative IDR3.9tn operating cash flow.

PTPP booked 9M19 earnings of IDR544bn, or -37.8%yoy on the back of lower gross margins and lower other income (-22.2%yoy to IDR289bn). The figure is 32.0% of our full year target and 35.2% of the consensus. The historical rate is 63.2%; hence, the result is below our expectations and the consensus. The lower gross margin reflects weak revenues generated from EPC (-51.6%yoy) and the property business (-57.2%). Inherently, both businesses have better margins than the construction service. The gross margin for EPC reached ~14% and ~57% for property, higher than 9.1% for construction services based on FY18 data.

Revenues grew moderately by 8.6%yoy to IDR16.1tn. This figure is 57.1% and 56.0% of our expectations and the consensus. Historically, the rate is 61.4%. Revenues from construction services are 83% of the revenues, with EPC at 8.8% and property at 4.9%. The sales mix is far different than it was in 9M18 as construction services contributed only 64.9% of the revenues back then, with EPC at 19.7% and property at 12.5%.

Leverage and cash flow. Debt jumped to IDR16.5tn as of Sep19 from IDR12.2tn in Dec18. Consequently, finance costs climbed 10.0%yoy to IDR510bn, and the DER reached 0.99x (Dec18: 0.75x). Operating cash flow was negative IDR3.9tn.

Order book. PTPP's order book as of Sep19 was similar to its size in the previous year at IDR84.5tn (-0.6%yoy) on the back of lower new contracts secured this year. New contracts recorded in 9M19 reached IDR22.0tn, or -32.1%yoy. The 9M new contracts are 49.0% of the new target set at IDR45.0tn (+3.5%yoy). PTPP has cut its FY19 new contracts target by 10.5% to IDR45.0tn from IDR50.3tn (+15.7%yoy) set at the beginning of the year. Hence, the realization rate reached 19.0% or slightly higher than the 17.4% figure last year.

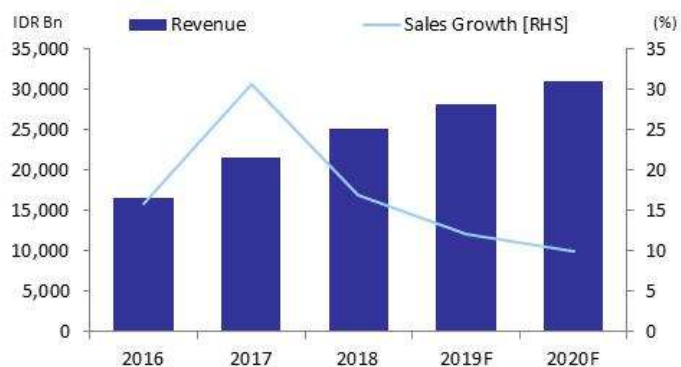
Maintain BUY. PTPP is trading at 2019-2020 PE of 6.7x-5.8x, lower than its -1SD historical PE of 7.2x. We will revisit our forecast following the disappointment result.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	21,502	25,120	28,155	30,976	32,758
EBITDA (IDRbn)	3,181	3,544	4,334	4,809	5,282
EBITDA Growth (%)	42.6	11.4	22.3	10.9	9.8
Net profit (IDRbn)	1,453	1,502	1,703	1,965	2,240
EPS (IDR)	234.4	242.3	274.7	316.9	361.3
EPS growth (%)	42.5	3.4	13.4	15.4	14.0
BVPS (IDR)	1,847.4	2,059.0	2,320.1	2,620.4	2,960.6
DPS (IDR)	49.5	46.9	48.5	54.9	63.4
PER (x)	7.6	7.3	6.5	5.6	4.9
PBV (x)	1.0	0.9	0.8	0.7	0.6
Dividend yield (%)	2.8	2.6	2.7	3.1	3.6
EV/EBITDA (x)	3.3	4.1	3.1	2.9	2.3

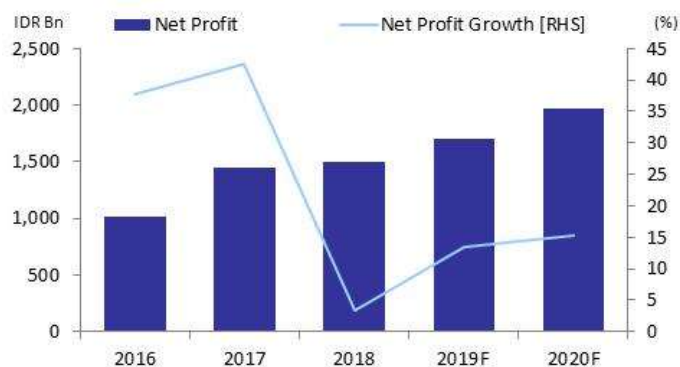
Source : PTPP, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



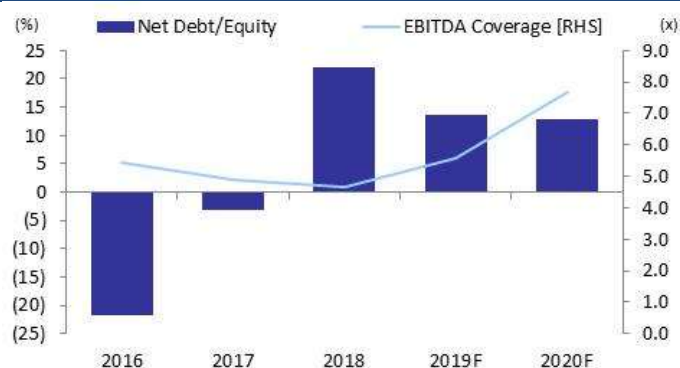
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



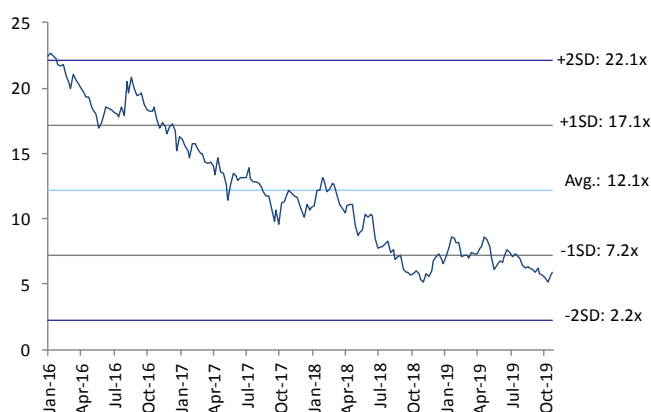
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



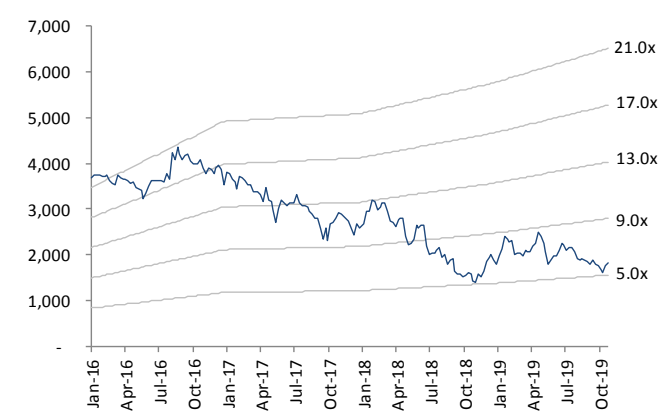
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. Share Price Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 7. PTPP 9M19 Result Summary

IDR Bn	3Q17	2Q18	3Q18	QoQ Chg %	YoY Chg %	9M19	YoY Chg %	Danareksa FY19F	9M19/ FY19F %
Revenue	5,280	5,754	5,339	(7.2)	1.1	16,063	8.6	28,155	57.1
Gross profit	765	804	682	(15.1)	(10.8)	2,145	(3.7)	4,300	49.9
Op. profit	732	596	583	(2.2)	(20.4)	1,629	(10.0)	3,779	43.1
Net profit	395	188	181	(3.5)	(54.1)	544	(37.8)	1,703	32.0
GPM (%)	14.5	14.0	12.8	(1.2)	(1.7)	13.4	(1.7)	15.3	(1.9)
OPM (%)	13.9	10.4	10.9	0.6	(2.9)	10.1	(2.1)	13.4	(3.3)
NPM (%)	7.5	3.3	3.4	0.1	(4.1)	3.4	(2.5)	6.0	(2.7)

Source: Danareksa Sekuritas estimates

Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	21,502	25,120	28,155	30,976	32,758
COGS	(18,251)	(21,574)	(23,855)	(26,346)	(27,863)
Gross profit	3,251	3,546	4,300	4,630	4,895
EBITDA	3,181	3,544	4,334	4,809	5,282
Oper. profit	2,887	3,047	3,779	4,058	4,336
Interest income	0	0	0	0	0
Interest expense	(653)	(760)	(777)	(627)	(553)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	3	66	72	79	87
Other Income (Expenses)	200	460	66	74	84
Pre-tax profit	2,436	2,813	3,139	3,584	3,954
Income tax	(712)	(854)	(924)	(1,019)	(1,093)
Minority interest	(271)	(457)	(512)	(600)	(621)
Net profit	1,453	1,502	1,703	1,965	2,240
Core Net Profit	1,630	1,738	1,888	2,152	2,420

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	9,383	8,647	8,981	9,085	8,970
Receivables	16,231	22,145	20,131	21,299	21,626
Inventory	2,421	4,659	3,869	3,720	3,928
Other Curr. Asset	1,645	1,669	1,751	1,840	1,896
Fixed assets - Net	5,790	6,605	9,050	11,299	13,353
Other non-curr.asset	6,085	8,409	8,882	9,384	9,919
Total asset	41,783	52,549	53,116	57,125	60,239
ST Debt	3,511	4,014	4,561	6,821	5,457
Payables	15,046	20,325	18,719	19,357	20,613
Other Curr. Liabilities	2,141	2,184	2,523	2,761	2,964
Long Term Debt	5,421	8,217	6,980	4,988	4,749
Other LT. Liabilities	1,421	1,494	1,689	1,839	1,967
Total Liabilities	27,540	36,234	34,472	35,767	35,750
Shareholder's Funds	11,454	12,766	14,384	16,246	18,355
Minority interests	2,789	3,550	4,260	5,112	6,134
Total Equity & Liabilities	41,783	52,549	53,116	57,125	60,239

Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	1,453	1,502	1,703	1,965	2,240
Depreciation and Amort.	295	498	556	751	946
Change in Working Capital	(28)	(3,022)	1,383	(314)	778
Other Oper. Cash Flow	412	1,143	881	678	571
Operating Cash Flow	2,132	121	4,523	3,079	4,535
Capex	(2,602)	(2,624)	(3,100)	(3,106)	(3,113)
Others Inv. Cash Flow	(2,434)	(1,481)	(371)	(395)	(420)
Investing Cash Flow	(5,036)	(4,105)	(3,471)	(3,501)	(3,533)
Net change in debt	2,142	3,299	(690)	269	(1,604)
New Capital	0	0	0	0	0
Dividend payment	(307)	(291)	(300)	(341)	(393)
Other Fin. Cash Flow	1,605	240	272	598	880
Financing Cash Flow	3,440	3,248	(719)	526	(1,117)
Net Change in Cash	535	(736)	333	104	(115)
Cash - begin of the year	9,125	9,383	8,647	8,981	9,085
Cash - end of the year	9,383	8,647	8,981	9,085	8,970

Exhibit 11. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	30.6	16.8	12.1	10.0	5.8
EBITDA	42.6	11.4	22.3	10.9	9.8
Operating profit	36.1	5.5	24.0	7.4	6.9
Net profit	42.5	3.4	13.4	15.4	14.0
Profitability (%)					
Gross margin	15.1	14.1	15.3	14.9	14.9
EBITDA margin	14.8	14.1	15.4	15.5	16.1
Operating margin	13.4	12.1	13.4	13.1	13.2
Net margin	6.8	6.0	6.0	6.3	6.8
ROAA	4.0	3.2	3.2	3.6	3.8
ROAE	13.8	12.4	12.5	12.8	12.9
Leverage					
Net Gearing (x)	0.0	0.2	0.1	0.1	0.1
Interest Coverage (x)	4.4	4.0	4.9	6.5	7.8

Source : PTPP, Danareksa Estimates

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