

Friday, 06 December 2019

BUY
Maintain

Last price (IDR)	1,460
Target Price (IDR)	2,300
Upside/Downside	+57.5%
Previous Target Price (IDR)	2,900

Stock Statistics

Sector	Construction
Bloomberg Ticker	PTPP IJ
No of Shrs (mn)	6,200
Mkt. Cap (IDRbn/USDmn)	9,052/643
Avg. daily T/O (IDRbn/USDmn)	33.7/2.4

Major shareholders (%)

Government	51.0
Public	49.0

EPS Consensus (IDR)

	2019F	2020F	2021F
Danareksa	211.5	234.8	262.4
Consensus	238.1	283.0	306.0
Danareksa/Cons	(11.2)	(17.0)	(14.3)

PTPP relative to JCI Index



Source : Bloomberg



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Pembangunan Perumahan (PTPP IJ)

Cutting our targets

We expect 2019 earnings to fall 12.7%yoy to IDR1.3tn with a lower new contracts target. Our 2019 earnings estimate is 18% lower than the management's, however, i.e. more conservative. We are more upbeat on 2020 as revenues and earnings are targeted to grow by 10% and 11%yoy, respectively. PTPP plans to divest its assets at a valuation of no less than 1.3x PBV. We arrive at a new TP of IDR2,300, lower than our previous TP given lower applied PE and a lower EPS base.

We cut our 2019 targets by 6% to 23%, resulting in a lower earnings target. Our new contracts target is lowered by 13.6% to IDR41.3tn given the weak new contracts booked in 10M19. Our new contracts target is in-line with the management's new target at IDR42.0tn (old: IDR50.3tn). Consequently, we expect 2019 revenues to edge up 1.4%yoy to IDR25.5tn while net income will decline 12.7%yoy to IDR1.3tn. Our new revenues target is 9% lower than the management's, while our net income target is 18% lower. The order book in 2019 is targeted to reach IDR103.8tn (+8.1%yoy), supported by IDR62.5tn of carry over contracts.

2020 targets. We apply a 20%yoy growth target for 2020 new contracts to IDR49.6tn. This is 6% lower than the management's IDR53.0tn (+26.0%yoy). Hence, we arrive at revenues of IDR28.1tn (+10.2%yoy) and net income of IDR1.5tn (+11.0%yoy).

Capex. PTPP has allocated 2020 capex of IDR10.0tn, or +25%yoy from IDR8.0tn allocated in 2019. However, capex realization as of Oct19 reached IDR3.8tn, or 48% of the budget given project delays due to the political year.

Assets divestment. As is the case for other contractors, PTPP plans to divest its assets. They are: Kuala Tanjung Port, the Panadaan – Malang toll road, and the Mando – Bitung toll road. The management seeks a valuation above 1.3x PBV. The assets divestment is targeted in 2020 from 2019 initially. As of Sep19, the investment value of those assets is IDR1.26tn. Assuming a 30%:70% equity and debt portion, the potential gain booked at 1.3x PBV is IDR113bn. It should be IDR302bn at 1.8x PBV. PTPP has investments in 17 infrastructure projects with a total investment value of IDR4.4tn as of Sep19.

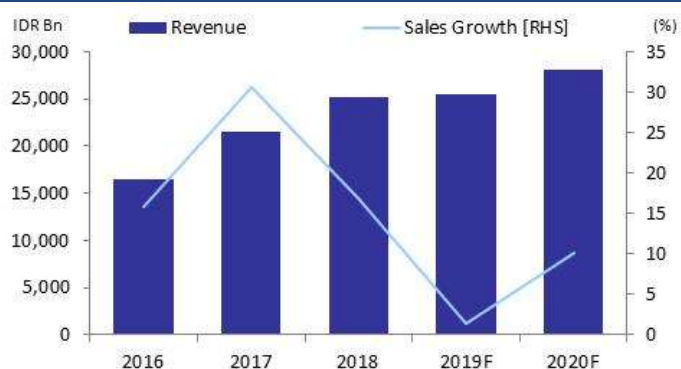
Valuation. The new contracts booked in 10M19 reached IDR26.7tn representing 65% of our target. PTPP is awaiting IDR2.5tn additional new contracts coming from the Semarang – Demak toll road. We apply a 10.0x PE target and use 2020 EPS as the base to arrive at a new TP of IDR2,300 (10.7x previously). Our new TP is 21% lower than previously. We have not included the impact from the implementation of the new PSAK in our model.

Key Financials

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	21,502	25,120	25,469	28,066	30,355
EBITDA (IDRbn)	3,181	3,544	3,549	4,172	4,574
EBITDA Growth (%)	42.6	11.4	0.1	17.6	9.6
Net profit (IDRbn)	1,453	1,502	1,311	1,455	1,627
EPS (IDR)	234.4	242.3	211.5	234.8	262.4
EPS growth (%)	42.5	3.4	(12.7)	11.0	11.8
BVPS (IDR)	1,847.4	2,059.0	2,256.9	2,487.7	2,745.4
DPS (IDR)	49.5	46.9	48.5	42.3	47.0
PER (x)	6.2	6.0	6.9	6.2	5.6
PBV (x)	0.8	0.7	0.6	0.6	0.5
Dividend yield (%)	3.4	3.2	3.3	2.9	3.2
EV/EBITDA (x)	2.7	3.6	4.4	4.1	3.8

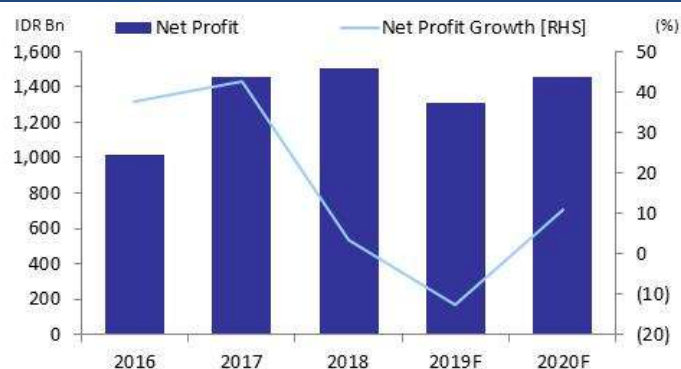
Source : PTPP, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



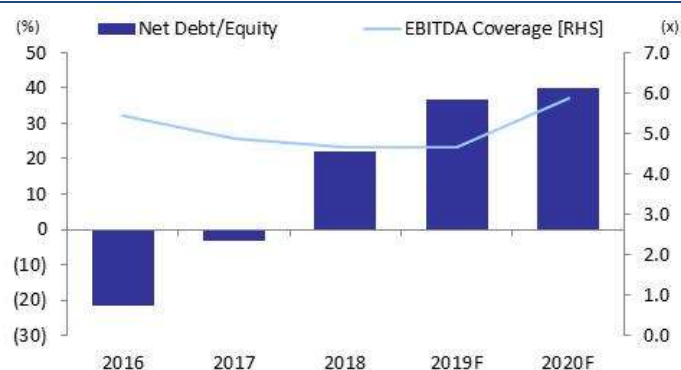
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



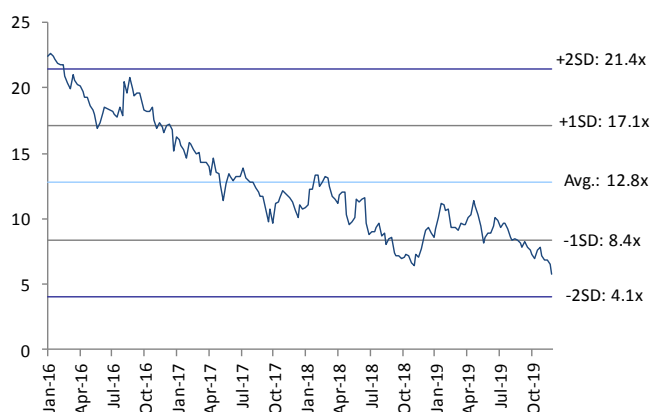
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



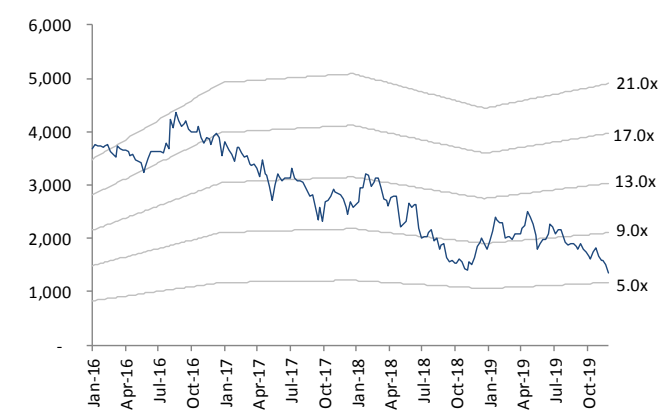
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. Share Price Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 7. Forecast Changes

	2018	Old		New		Chg. (%)		Growth (%yoy)	
		2019	2020	2019	2020	2019	2020	2019	2020
New contracts	43,490	47,839	54,058	41,316	49,579	-13.6%	-8.3%	-5.0%	20.0%
Carry over	52,575	62,500	65,684	62,500	62,262	0.0%	-5.2%	18.9%	-0.4%
Order book	96,065	110,339	119,742	103,816	111,841	-5.9%	-6.6%	8.1%	7.7%
Revenues	25,120	28,155	30,976	25,469	28,066	-9.5%	-9.4%	1.4%	10.2%
Gross profit	3,546	4,300	4,630	3,493	3,983	-18.8%	-14.0%	-1.5%	14.0%
Op.profit	3,047	3,779	4,058	2,993	3,421	-20.8%	-15.7%	-1.8%	14.3%
Net profit	1,502	1,703	1,965	1,311	1,455	-23.0%	-25.9%	-12.7%	11.0%
Realization rate (%)	26.1%	25.5%	25.9%	24.5%	25.1%				
GPM (%)	14.1%	15.3%	14.9%	13.7%	14.2%				
OPM (%)	12.1%	13.4%	13.1%	11.8%	12.2%				
NPM (%)	6.0%	6.0%	6.3%	5.1%	5.2%				

Source: Danareksa Sekuritas estimates

Exhibit 8. Investment as of Sep19

No	Company	Share	Investment	Notes
1	Prima Multi Terminal	25.0%	400	Kuala Tanjung Port
2	Jasamarga Pandaan Malang	35.0%	627	Pandaan Malang toll road
3	Sinergi Investasi Properti	20.0%	90	A JV with BPJS Ketenagakerjaan in development an office building
4	Indonesia Ferry Property	49.0%	152	JV with ASDP in development of executive jetty in ports area
5	Solo Citra Metro Plasma	40.0%	40	the development of renewable energy power plant in Solo
6	Centurion Perkasa Iman	57.0%	7	Swissbell Surabaya Hotel
7	Sinergi Colomadu	72.0%	61	JV with PTPN XI for revitalization of a sugar refinery in Solo
8	Celebes Railway	45.0%	166	development of railway Makassar - Pare-pare
9	PP Sinergi Banjartma	32.5%	20	development of rest area in Trans Java toll road
10	Jasamarga Rest Area Batang	17.0%	4	development of rest area in Trans Java toll road
11	PP Semarang Demak	65.0%	1,053	Semarang - Demak toll road
12	Jasamarga Kualanamu Toll	15.0%	223	Medan - Kualanamu - Tebing Tinggi toll road
13	Citra Wasphtowa	12.5%	243	Depok - Antasari toll road
14	Jasamarga Balikpapan Samarinda	15.0%	448	Balikpapan - Samarinda toll road
15	Jasamarga Manado Bitung	15.0%	230	Manado - Bitung toll road
16	Citra Karya Jabar Tol	14.0%	353	Cileunyi - Sumedang - Dawuan toll road
17	Wika Serang Panimbang	15.0%	239	Serang - Panimbang toll road
Total			4,356	

Source: Company

Exhibit 9. Potential gain from assets divestment

Investment value in three projects	1,257		
30% equity	30%		
Equity value	377		
PBV	1.3	1.5	1.8
Gain	113	189	302

Source: Danareksa Sekuritas estimates

Exhibit 10. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Revenue	21,502	25,120	25,469	28,066	30,355
COGS	(18,251)	(21,574)	(21,976)	(24,083)	(26,056)
Gross profit	3,251	3,546	3,493	3,983	4,300
EBITDA	3,181	3,544	3,549	4,172	4,574
Oper. profit	2,887	3,047	2,993	3,421	3,629
Interest income	0	0	0	0	0
Interest expense	(653)	(760)	(761)	(711)	(682)
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	3	66	72	79	87
Other Income (Expenses)	200	460	80	(95)	(131)
Pre-tax profit	2,436	2,813	2,384	2,695	2,903
Income tax	(712)	(854)	(712)	(828)	(892)
Minority interest	(271)	(457)	(361)	(412)	(383)
Net profit	1,453	1,502	1,311	1,455	1,627
Core Net Profit	1,630	1,738	1,521	1,734	1,860

Exhibit 11. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	9,383	8,647	4,605	3,385	1,692
Receivables	16,231	22,145	22,563	24,479	26,060
Inventory	2,421	4,659	3,982	4,290	4,627
Other Curr. Asset	1,645	1,669	1,678	1,755	1,828
Fixed assets - Net	5,790	6,605	9,050	11,299	13,353
Other non-curr.asset	6,085	8,409	8,987	9,498	10,042
Total asset	41,783	52,549	51,299	55,182	58,125
ST Debt	3,511	4,014	4,287	6,616	5,306
Payables	15,046	20,325	17,909	18,823	20,378
Other Curr. Liabilities	2,141	2,184	2,248	2,461	2,629
Long Term Debt	5,421	8,217	6,980	4,988	4,749
Other LT. Liabilities	1,421	1,494	1,622	1,759	1,908
Total Liabilities	27,540	36,234	33,046	34,647	34,970
Shareholder's Funds	11,454	12,766	13,993	15,424	17,021
Minority interests	2,789	3,550	4,260	5,112	6,134
Total Equity & Liabilities	41,783	52,549	51,299	55,182	58,125

Exhibit 12. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	1,453	1,502	1,311	1,455	1,627
Depreciation and Amort.	295	498	556	751	946
Change in Working Capital	(28)	(3,022)	(2,175)	(1,255)	(357)
Other Oper. Cash Flow	412	1,143	799	747	722
Operating Cash Flow	2,132	121	491	1,698	2,937
Capex	(2,602)	(2,624)	(3,142)	(3,108)	(3,115)
Others Inv. Cash Flow	(2,434)	(1,481)	(415)	(399)	(425)
Investing Cash Flow	(5,036)	(4,105)	(3,557)	(3,507)	(3,540)
Net change in debt	2,142	3,299	(964)	337	(1,549)
New Capital	0	0	0	0	0
Dividend payment	(307)	(291)	(300)	(262)	(291)
Other Fin. Cash Flow	1,605	240	288	514	751
Financing Cash Flow	3,440	3,248	(976)	589	(1,089)
Net Change in Cash	535	(736)	(4,042)	(1,221)	(1,692)
Cash - begin of the year	9,125	9,383	8,647	4,605	3,385
Cash - end of the year	9,383	8,647	4,605	3,385	1,692

Exhibit 13. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Growth (%)					
Sales	30.6	16.8	1.4	10.2	8.2
EBITDA	42.6	11.4	0.1	17.6	9.6
Operating profit	36.1	5.5	(1.8)	14.3	6.1
Net profit	42.5	3.4	(12.7)	11.0	11.8
Profitability (%)					
Gross margin	15.1	14.1	13.7	14.2	14.2
EBITDA margin	14.8	14.1	13.9	14.9	15.1
Operating margin	13.4	12.1	11.8	12.2	12.0
Net margin	6.8	6.0	5.1	5.2	5.4
ROAA	4.0	3.2	2.5	2.7	2.9
ROAE	13.8	12.4	9.8	9.9	10.0
Leverage					
Net Gearing (x)	0.0	0.2	0.4	0.4	0.4
Interest Coverage (x)	4.4	4.0	3.9	4.8	5.3

Source : PTPP, Danareksa Estimates

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