

## FROM EQUITY RESEARCH

### Pembangunan Perumahan: Imminent change in status

(PTPP IJ.IDR 1,935 BUY.TP IDR 2,700)

PTPP is currently awaiting the signing of the regulation concerning the establishment of a housing holding company by the president – most likely this month. This should create synergy among SOEs, we believe. Meanwhile, PTPP has cut its 2018 revenues and earnings targets by 23% and 27%, respectively, due to some project delays. Looking ahead to next year, revenues and net income are targeted to grow by 15.3%yoy and 11.5%yoy, respectively. BUY maintained.

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## KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
<b>Asean - 5</b>				
Indonesia	6.126	0,2	(3,6)	418
Thailand	1.650	(0,2)	(5,9)	1.065
Philippines	7.461	(1,0)	(12,8)	102
Malaysia	1.681	(0,2)	(6,5)	445
Singapore	3.111	(0,1)	(8,6)	609
<b>Regional</b>				
China	2.606	0,0	(21,2)	26.636
Hong Kong	26.064	(0,4)	(12,9)	12.666
Japan	21.679	0,8	(4,8)	14.060
Korea	2.076	0,3	(15,9)	5.007
Taiwan	9.761	0,8	(8,3)	3.128
India	35.673	1,0	4,7	357
NASDAQ	6.969	(3,0)	1,0	136.438
Dow Jones	24.389	(2,2)	(1,3)	14.360

## CURRENCY AND INTEREST RATE

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	Rp/1US\$	14.480	(1,2)	0,8	(6,8)
SBI rate	%	6,00	0,3	0,3	1,8
10y Gov	Indo bond	8,04	0,2	(0,1)	1,7

## HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	103	0,0	(2,8)	1,7
Gold	US\$/toz	1.249	0,1	3,3	(4,1)
Nickel	US\$/mt.ton	10.846	0,6	(7,6)	(14,6)
Tin	US\$/mt.ton	19.016	0,3	(0,4)	(5,4)

## SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2.095	0,8	(9,8)	10,3
Corn	US\$/mt.ton	137	0,3	2,3	9,7
Oil (WTI)	US\$/barrel	53	(0,1)	(12,7)	(13,0)
Oil (Brent)	US\$/barrel	62	0,4	(11,7)	(7,4)
Palm oil	MYR/mt.ton	1.735	0,2	(11,2)	(27,4)
Rubber	US\$/kg	123	(0,1)	(0,6)	(16,0)
Pulp	US\$/tonne	1.205	N/A	2,8	20,5
Coffee	US\$/60kgbag	79	(0,1)	(5,3)	(10,7)
Sugar	US\$/MT	346	1,2	0,8	(12,4)
Wheat	US\$/ton	145	3,1	1,7	7,7
Soy Oil	US\$/lb	29	0,1	1,1	(13,8)
Soy Bean	US\$/by	917	0,8	5,6	(3,7)

Monday, 10 December 2018

**BUY**  
**Maintain**

Last price (IDR)	1,935
Target Price (IDR)	2,700
Upside/Downside	+39.5%
Previous Target Price (IDR)	2,700

**Stock Statistics**

Sector	Construction
Bloomberg Ticker	PTPP IJ
No of Shrs (mn)	6,200
Mkt. Cap (IDRbn/USDmn)	11,997/829
Avg. daily T/O (IDRbn/USDmn)	29.2/2.0

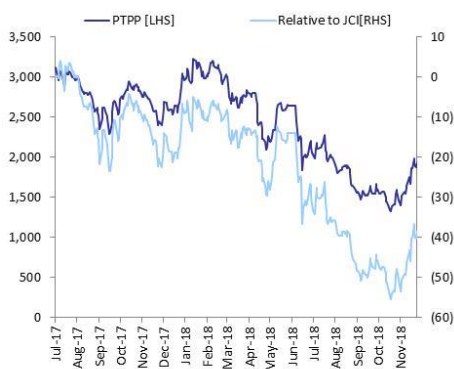
**Major shareholders (%)**

Government	51.0
Estimated free float	48.9

**EPS Consensus (IDR)**

	2018F	2019F	2020F
Danareksa	234.5	295.6	351.9
Consensus	267.4	321.3	382.4
Danareksa/Cons	(12.3)	(8.0)	(8.0)

**PTPP relative to JCI Index**



Source : Bloomberg



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# Pembangunan Perumahan (PTPP IJ)

## Imminent change in status

PTPP is currently awaiting the signing of the regulation concerning the establishment of a housing holding company by the president – most likely this month. This should create synergy among SOEs, we believe. Meanwhile, PTPP has cut its 2018 revenues and earnings targets by 23% and 27%, respectively, due to some project delays. Looking ahead to next year, revenues and net income are targeted to grow by 15.3%yoy and 11.5%yoy, respectively. BUY maintained.

**The housing holding company should be formed soon.** The formation of the housing holding company appears to be imminent and the signing of the official regulation by the president is expected to take place by the end of Dec 18. The government - as the current owner of PTPP - will transfer its ownership to Perumnas as the holding company. The other companies to be included in the holding company are Wijaya Karya (WIKA), Amarta Karya, Virama Karya, and Indah Karya. After the regulation is signed, PTPP will no longer be categorized as an SOE but as a SOE subsidiary. As such, PTPP will need to conduct an EGM concerning the change to its status.

**The time line.** Based on the current time line, the transfer of ownership and the consolidation of the businesses and financial reports will take place in the period 2018-2019. In the second stage (2020-2022), the holding company will focus on strengthening business synergy within the group. The purpose of the holding company is to attain greater bargaining power in the supply chain, business, and financing.

**PTPP revise down its 2018 targets.** PTPP has cut its 2018 new contracts target by ~12% to IDR43.3tn from IDR49.1tn set at the beginning of the year. Consequently, PTPP has also cut its 2018 revenues and earnings targets by 23%-27%, respectively. The new 2018 revenues target is set at IDR25.2tn (+17.0%yoy) while the new 2018 earnings target is IDR1.5tn (+5.5%yoy). The 2018 order book is targeted to reach IDR95.8tn (+7.6%yoy), including IDR52.6tn of carry over contracts.

**2019 targets.** New contracts in 2019 are targeted to reach IDR50.3tn (+16.3%yoy), resulting in an IDR112.8tn order book (+17.7%yoy). The 2019 revenues and earnings are targeted at IDR29.0tn (+15.3%yoy) and IDR1.7tn (+11.5%yoy). The sectors contributing most of the works are the energy, EPC and infrastructure sectors. In addition, the management revealed that it was possible the company might acquire turnkey projects in the future although they would contribute less than 20% of revenues. Furthermore, PTPP is also targeting ~IDR10-12tn of EPC contracts from Pertamina's RFCC project in Balikpapan in 1Q19. Pertamina's huge IDR60.0tn project will be carried out by PTPP and its consortium which includes Rekayasa Industri and Hyundai.

**Maintain BUY.** The capex earmarked in 2019 is IDR8.7tn, 28.2%yoy more than 2018's allocation of IDR6.8tn. Capex spending reached 69% as of Oct 18. PTPP still has room for more leverage since its DER only stood at 0.83x as of 9M18. None of its subsidiaries are expected to hold an IPO in 2019. PTPP trades at 6.5x 2019 PE, below its -1SD historical PE of 9.0x.

**Key Financials**

Year to 31 Dec	2016A	2017A	2018F	2019F	2020F
Revenue (IDRbn)	16,459	21,502	24,098	29,528	34,375
EBITDA (IDRbn)	2,230	3,181	3,486	4,301	4,881
EBITDA Growth (%)	27.9	42.6	9.6	23.4	13.5
Net profit (IDRbn)	1,020	1,495	1,454	1,832	2,182
EPS (IDR)	164.5	241.1	234.5	295.6	351.9
EPS growth (%)	37.8	46.5	(2.7)	26.0	19.1
BVPS (IDR)	1,556.8	1,847.4	2,068.3	2,353.5	2,686.5
DPS (IDR)	23.9	49.5	46.9	46.9	59.1
PER (x)	11.8	8.0	8.3	6.5	5.5
PBV (x)	1.2	1.0	0.9	0.8	0.7
Dividend yield (%)	1.2	2.6	2.4	2.4	3.1
EV/EBITDA (x)	4.3	3.6	3.4	2.8	2.3

Source : PTPP, Danareksa Estimates

## MARKET NEWS

### MACROECONOMY

#### **Bank Indonesia: Foreign reserves increase by USD 2bn**

Bank Indonesia (BI) reported that foreign reserves rose to USD 117.2bn from USD 115.2bn. According to BI, the increase was supported by oil and gas receipts and the issuance of global government bonds. The reserves are able to support imports and bond repayments for 6.3 months. (Kontan)

### SECTOR

#### **Consumer: Aptindo estimates higher wheat flour consumption in 2019**

The consumption of wheat flour is expected to grow by more than 6% yoy in 2019, supported by small and medium enterprises. The 2019 growth will be higher than this year's estimated growth of 5% yoy. According to Aptindo, around 66% of the total national wheat flour consumption is from small and medium enterprises, while the remainder is from big companies. In 1H18, total national wheat flour consumption reached 4.15mn tons. Full year consumption is expected to reach 8mn tons. (Bisnis Indonesia)

*Comments: Higher wheat flour consumption will benefit INDF. By the end of June 2018, bogasari's sales volume reached 1.6mn tons, +3% yoy. Maintain BUY on INDF.*

#### **Industrial land sales predicted to grow 10-15% in FY19**

The Industrial Estate Association predicted that industrial land sales would grow by 10-15% in FY19, mostly to consumer goods companies. In 9M18, industrial land inquiries reached 200Ha. (Investor Daily)

#### **The Ministry of Energy and Mineral Resources to build 3 more CPO refineries for B100**

The Ministry of Energy and Mineral Resources (ESDM) is planning to build 3 more CPO refineries for biodiesel blending purposes and to prepare for the B100 testing process. Meanwhile, realization of the B20 mandate has reportedly reached 97% as of Nov 18. (Bisnis Indonesia)

#### **TOWR raises more funds to build a fiber optic network**

Nusantara Tbk (TOWR) has secured more funding for next year of Rp600 bn from Sumitomo Mitsui Bank Indonesia. The funds will be used by its subsidiary iForte to support the construction of a fiber optic network. iForte intends to build a 16,000 km fiber optic network to serve telco operators. Completion of the network would take ~18 months or by 2020. So far, more than 6,000 km of the network has been laid. (Kontan)

#### **Number of internet users expected to grow by 12% to 160mn**

Indonesia's Internet Service Provider Association (APJII) is conducting its yearly research for data penetration in the country. It expects that the number of internet users will grow by 11.3%-12.3% from 143.26 mn in 2017 to 160 mn. One key driver for the increase in the number of internet users is the availability of more affordable handsets such as Google's WizPhone which is available at Alfamart from Rp99k, bundled with ISAT and EXCL. (Bisnis)

### CORPORATE

#### **Adhi Karya: Expects to begin construction of the Solo-Kulonprogo toll road in mid-2019**

Adhi Karya (ADHI) and its consortium targets construction of the Solo – Kulonprogo toll road to start in mid-2019. The consortium recently obtained an initiator permit for the toll road from the Ministry of Public Works and Public Housing. As such, the project will be tendered to investors. The toll road will be 120km in length, of which 20km will be elevated, and it will connect Solo to the New International Airport of Kulonprogo. The investment needed is IDR19.0tn, of which the equity portion will be IDR5.7tn (30%). Since ADHI owns a 40% stake in the consortium, ADHI needs to prepare ~IDR2.3tn of funds as a capital injection. The project will be ADHI's first significant investment in a toll road. Currently, ADHI only has one toll road investment: a 2% stake in the Bali Mandara toll road. (Bisnis Indonesia)

**Metropolitan Land (MTLA) and Keppel Land to establish a partnership for a Rp5tn project**

Keppel Land, through its subsidiary, has signed a co-operation agreement with Metland (MTLA) to develop residential projects in Bali valued at Rp5.0tn. Previously, Keppel Land had partnered with MTLA in the development of residential projects in Puri, West Jakarta. (Investor Daily)

**Wijaya Karya: Targets 2019 earnings growth of 50% yoy**

Wijaya Karya (WIKA) targets 50%yoy earnings growth in 2019. The target is supported by: 1) strong investment in 2019, which is targeted to reach IDR20.0tn, 2) the development of more infrastructure projects in 2019, and 3) its expanding energy and logistics business. WIKA booked new contracts as of Nov18 of IDR34.2tn, or 58.9% of the full year target of IDR58.1tn. (Bisnis Indonesia)

*Comment: We expect earnings to grow by 40.0%yoy and 33.5%yoy in 2018 and 2019, respectively. WIKA's 2019 earnings growth target is the highest among the SOE contractors under our coverage. WIKA is our top pick in the sector. BUY with a TP of IDR2,200. (Maria Renata)*



**COVERAGE PERFORMANCE**
**LEADERS**

	Code	Price as on				Chg, %	w-w, %	m-m, %	YTD, %	Rating
		07-Dec-18	06-Dec-18							
Pakuwon Jati	PWON	635	585	8,5	7,6	16,5	(7,3)	BUY		
Waskita Karya	WSKT	1.845	1.725	7,0	18,3	17,1	(16,5)	BUY		
Ciputra Development	CTRA	1.085	1.025	5,9	2,8	19,2	(8,4)	BUY		
Adhi Karya	ADHI	1.625	1.540	5,5	3,8	24,0	(13,8)	BUY		
Wijaya Karya	WIKA	1.590	1.510	5,3	5,6	32,0	2,6	BUY		
Ace Hardware	ACES	1.555	1.490	4,4	(3,7)	9,1	34,6	BUY		
Ramayana	RALS	1.355	1.300	4,2	13,9	6,3	12,9	HOLD		
Summarecon Agung	SMRA	860	830	3,6	4,9	35,4	(9,0)	BUY		
Pembangunan Perumahan	PTPP	1.935	1.870	3,5	4,3	23,6	(26,7)	BUY		
Bumi Serpong Damai	BSDE	1.345	1.300	3,5	(0,4)	12,1	(20,9)	BUY		

Sources: Bloomberg

**LAGGARDS**

	Code	Price as on				Chg, %	w-w, %	m-m, %	YTD, %	Rating
		07-Dec-18	06-Dec-18							
Malindo Feedmill	MAIN	1.315	1.365	(3,7)	7,3	5,6	77,7	HOLD		
Surya Semesta	SSIA	470	484	(2,9)	4,4	(0,4)	(8,7)	HOLD		
Bukit Asam	PTBA	3.990	4.080	(2,2)	(0,7)	(7,9)	62,2	BUY		
Indo Tambangraya Megah	ITMG	20.425	20.800	(1,8)	(3,9)	(11,5)	(1,3)	BUY		
Aneka Tambang	ANTM	725	735	(1,4)	17,9	3,6	16,0	HOLD		
Bank Central Asia	BBCA	25.950	26.300	(1,3)	(0,4)	8,1	18,5	HOLD		
Japfa Comfeed	JPFA	2.250	2.280	(1,3)	11,4	9,2	73,1	BUY		
Matahari Department Store	LPPF	4.920	4.980	(1,2)	3,6	(6,7)	(50,8)	BUY		
Bank Negara Indonesia	BBNI	8.575	8.650	(0,9)	0,9	7,2	(13,4)	BUY		
Bank Rakyat Indonesia	BBRI	3.620	3.650	(0,8)	-	8,4	(0,5)	BUY		

Sources: Bloomberg

## **PREVIOUS REPORTS**

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- Gudang Garam: More growth to come, Property: BCA Standpoint - Assessment of Property Demand [SnapShot20181207](#)
- Bank Central Asia: Fully valued [SnapShot20181206](#)
- Media: Remaining resilient [SnapShot20181205](#)
- NFC: The digital trailblazer [SnapShot20181204](#)
- Aneka Tambang: Strong sales volume boosted profit, Mayora Indah: Buoyant revenues but higher opex too [SnapShot20181203](#)

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