

Pembangunan Perumahan Tbk (PTPP)

2Q20 Performance, Bottom-Line Touches Lowest Level

Company Update | August 28, 2020

BUY

Target Price (IDR)	1,250
Consensus Price (IDR)	1,131
TP to Consensus Price	+10.5%
vs. Last Price	+24.4%

Shares data

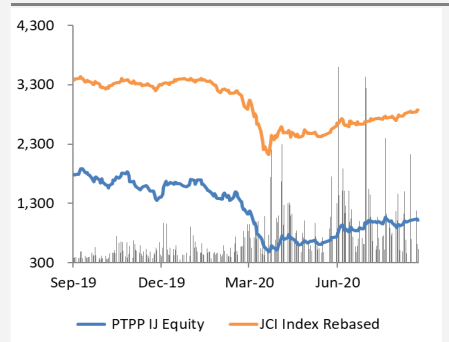
Last Price (IDR)	1,005
Price Date as of	August, 27 2020
52 wk Range (Hi/Lo)	1,945/484
Free Float (%)	48.8
Outstanding sh. (mn)	6,200
Market Cap. (IDR bn)	6,417
Market Cap. (USD mn)	431
Avg. Trd Vol - 3M (mn)	71.88
Avg. Trd Val - 3M (bn)	66.39
Foreign Ownership	21.7%

Property

Construction

Bloomberg	PTPP IJ
Reuters	PTPP.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-36.6%	2.0%	52.2%	-45.2%
Rel. Ret.	-21.6%	-2.4%	36.8%	-31.1%

Ajeng Kartika Hapsari

(021) 5088 9130
ajeng@nhsec.co.id

PTPP posted a 2Q20 profit of IDR3 billion (-98.6% YoY), which is the company's deepest bottom-line decline. Even though it excelled in acquiring new contracts compared to other state-owned construction companies, or reaching IDR8.98 trillion during 1H20, in the future PTPP must sort out which contracts have good payment scheme so as not to burden the company's cash. In addition, the increased infrastructure budget in the 2021 Draft State Budget (RAPBN) is a breath of fresh air for PTPP's performance next year.

Performance Dropped, 1H20 Difficult for Construction

PTPP recorded revenue in 1H20 of IDR6.74 trillion or -37% YoY (vs IDR10.72 trillion 1H19) after 5 consecutive years of growth in the range of 13% to 24% YoY. In 2Q20, revenue fell 42% YoY to IDR3.40 trillion. The revenue segments with the largest portion such as construction, EPC and property & realty in 2Q20 all fell to IDR2.72 trillion (-37% YoY), IDR202 billion (-56% YoY), and IDR447 billion (-15% YoY) respectively. Efficiencies in cost of revenue and operating expenses increased GPM and OPM in 2Q20 to 11.3% and 4.0% from 9.6% and 1.7% in 1Q20. However, the increase in other expenses caused NPM to decrease to 0.1%. 2Q20 profit fell to a single digit of IDR3 billion (-98.6% YoY vs IDR188 billion 1H19), hence in 1H20 PTPP's profit fell 96% to IDR16 billion (vs IDR363 billion 1H19) making this the largest bottom-line decline for PTPP's performance.

Excels in Acquiring New Contracts

During the first semester, PTPP succeeded in securing new contracts amounting to IDR8.98 trillion (-39.3% YoY vs IDR14.8 trillion 1H19). Construction projects and EPC are the largest contributors, contributing 48% and 40% of the total contracts with projects including the JO Refinery Development Master Project (RDMP) (IDR1.80 trillion), Pekanbaru water treatment (IDR1.26 trillion) and Bogor Apartment (IDR1.17 trillion). Although the value of 1H20 contracts decreased compared to 1H19, PTPP's new contracts were higher than other BUMN construction companies with an average new contract of IDR5.08 trillion. PTPP is favored by obtaining contracts at the beginning of the year starting with the RDMP project worth IDR2.25 trillion.

Net Gearing Ratio Suppressed by Decrease in Cash

The gross gearing ratio was stagnant at 131% in 1Q20 and 2Q20, while the net gearing ratio increased from 78% in 1Q20 to 92% in 2Q20. This was due to operating cash which was recorded at minus IDR1.96 trillion, which caused cash and cash equivalents to drop to IDR5.51 trillion (vs IDR7.17 trillion 1Q20). Therefore, we see that PTPP must be able to manage its cash flow in the midst of project delays, which also slow down the flow of fresh funds to the company.

Rating BUY with TP IDR1,250

In facing the economic slowdown weakening construction sector, PTPP must be able to implement a specific strategy to improve the company's performance in 2H20 which can be done by successful divestments, sorting out projects that have good liquidity and optimizing the completion of ongoing projects. PTPP itself has also begun to expand into the global market by targeting the ASEAN market and the energy mineral market area which have great potentials. In addition, the increase in infrastructure budget by 47.3% in the 2021 Draft State Budget (RAPBN) was also a positive sentiment for future improvement in PTPP's performance, due to ownership of PTPP's projects dominated by SOE and the Government. We recommend BUY for PTPP with TP of IDR1,250 based on P/E of 13.5x (-0.3 SD) and a potential return of 24.4% from the current price.

Pembangunan Perumahan (PP) Tbk | Summary

	2019A	2020F	2021F	2022F
Revenue	24,660	16,342	20,960	25,443
Growth (%)	-1.8%	-33.7%	28.3%	21.4%
EBITDA	2,836	1,878	1,388	2,387
Net Profit	930	332	579	855
EPS (IDR)	150	53	93	138
Growth (%)	-38.1%	-64.4%	74.5%	47.7%
P/E	10.6x	23.4x	13.4x	9.1x
P/BV	10.6x	0.5x	0.5x	0.5x
EV/EBITDA	7.0x	11.4x	16.7x	10.8x
ROE (%)	5.8%	2.2%	3.8%	5.4%
DER (%)	105%	131%	141%	158%
Dividen Yield	3.1%	2.7%	1.3%	2.2%

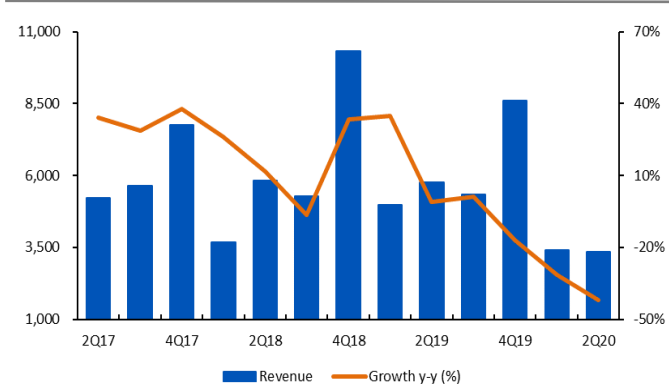
Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

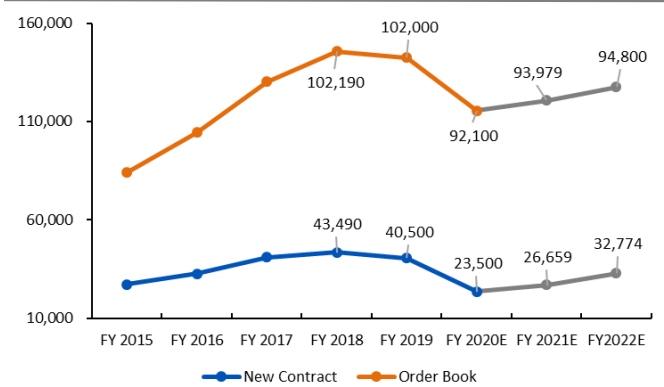
Performance Highlights in Charts

PTPP Quarterly Revenue (IDR bn) | 2Q17 - 2Q20



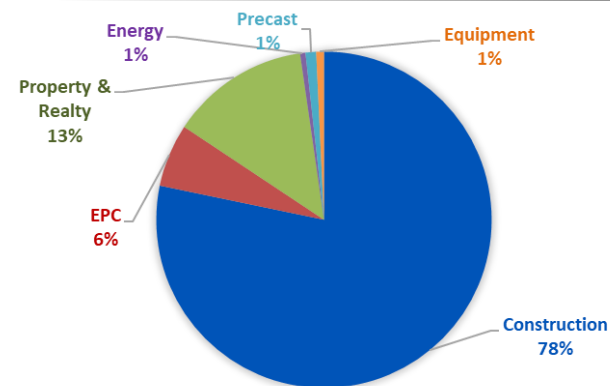
Source: Company Data, NHKSI Research

PTPP Order Book & New Contract



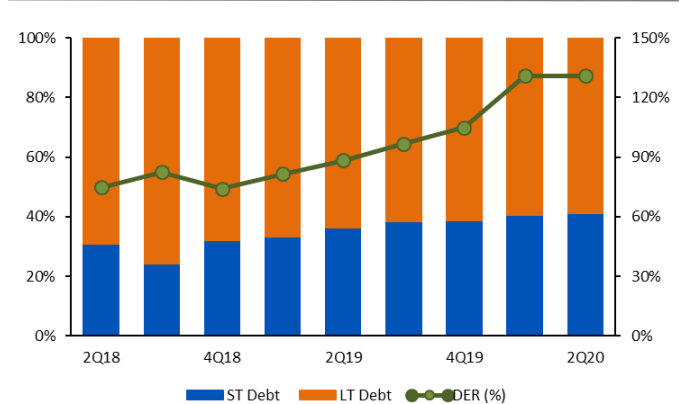
Source: Company Data, NHKSI Research

2Q20's Revenue Breakdown



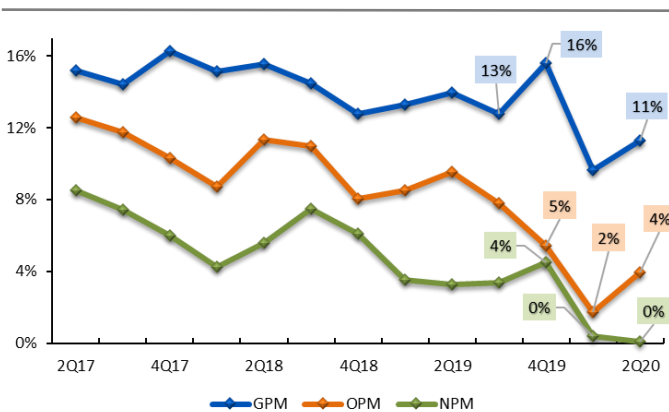
Source: Company Data, NHKSI Research

Debt Portion



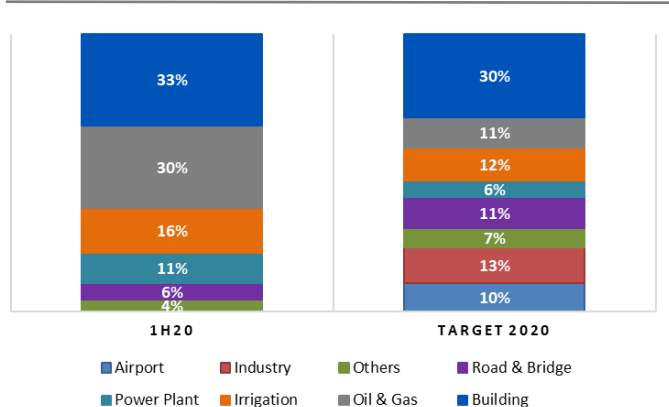
Source: Company Data, NHKSI Research

Margin Ratios



Source: Company Data, NHKSI Research

New Project based on Type of Project | 1H20 & FY20E



Source: Company Data, NHKSI Research

Quarterly Review

	2Q19	3Q19	4Q19	1Q20	2Q20			3Q20E
					Actual	Estimate	Y-Y	
Income statement								
Revenue	5,754	5,339	8,579	3,409	3,336	-42.0%	-2.1%	3,833
Gross Profit	804	682	1,340	329	337	-53.1%	14.8%	468
EBIT	550	416	468	59	132	-76.0%	124.7%	254
EBITDA	647	654	965	619	347	-46.4%	-44.0%	383
Net Profit	188	181	386	13	3	-98.6%	-80.3%	208
Margin (%)								
Gross Margin	14.0%	12.8%	15.6%	9.6%	11.3%	-2.7%	1.7%	12.2%
EBIT Margin	9.6%	7.8%	5.4%	1.7%	4.0%	-5.6%	2.2%	6.6%
EBITDA Margin	11.2%	12.3%	11.2%	18.2%	10.4%	-0.9%	-7.8%	10.0%
Net Profit Margin	3.3%	3.4%	4.5%	0.4%	0.1%	-3.2%	-0.3%	4.8%

Unit: IDR bn, %

Source: Company Data, NHKSI Research

Revisions to Earnings

		2020F	2021F	2022F
Income Statement				
Revenue	-Revised	16,342	20,960	25,443
	-Previous			
	-Change			
Gross Profit	-Revised	1,845	2,517	3,264
	-Previous			
	-Change			
EBIT	-Revised	829	1,173	1,633
	-Previous			
	-Change			
EBITDA	-Revised	1,878	1,388	2,387
	-Previous			
	-Change			
Net Profit	-Revised	332	579	855
	-Previous			
	-Change			
Margin				
Gross Margin	-Revised	11.3%	12.0%	12.8%
	-Previous			
EBIT Margin	-Revised	5.1%	5.6%	6.4%
	-Previous			
EBITDA Margin	-Revised	11.5%	6.6%	9.4%
	-Previous			
Net Profit Margin	-Revised	2.0%	2.8%	3.4%
	-Previous			

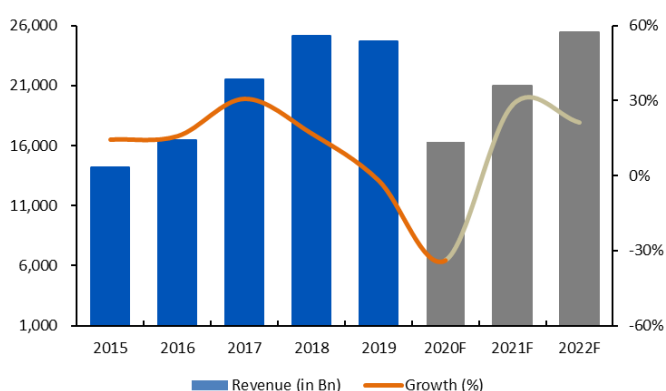
Unit: IDR bn, %

Source: Company Data, NHKSI Research

Company Overview

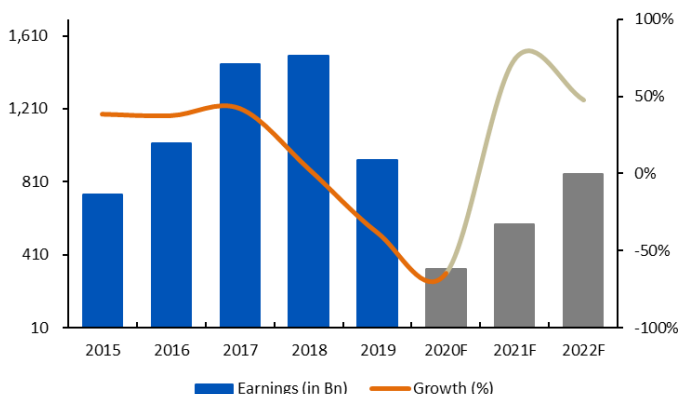
- PT Pembangunan Perumahan (PP) Tbk (PTPP) was founded in 1953 under the name NV Pembangunan Perumahan
- PTPP officially took the floor on the Indonesia Stock Exchange (IDX) on 9 February 2010.
- Has 5 (five) subsidiaries, namely; PP Property, PP Infrastructure, PP Energy, PP Urban, PP Precision.
- Has two business pillars: Construction (Building, Civil, EPC, Specialist, Plant, and Equipment), Investment
- 51.00% of the shareholder is the Government, 0.03% by the Shareholder Employee Cooperative, while the remaining 48.97% is held by the public.
- The national infrastructure projects that are being worked on by PTPP are Medan - Kualanamu - Tebingtinggi Toll Road, North Sumatra Toll Road, Serang - Panimbang, Semarang - Demak Toll Road, Tower Construction from BPJS Ketenagakerjaan.

Revenue and Growth Movement



Source: Company Data, NHKSI Research

Earnings and Growth Movement



Source: Company Data, NHKSI Research

Analysis of Asia-Pacific Peers

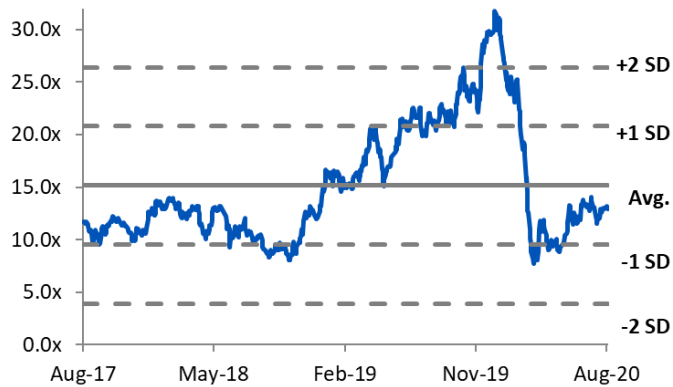
	Market Cap (USD mn)	Asset (USD mn)	Net Profit Growth (LTM)	Net Profit Margin	DER	ROE (LTM)	P/E	P/BV
Indonesia								
PT PP PERSERO TBK	431	4,058	-64%	2.0%	131%	2.6%	28.3x	1.1x
PT WASKITA KARYA PERSERO TBK	634	8,853	-92%	3.0%	238%	1.5%	35.1x	0.6x
PT WIJAYA KARYA PERSERO TBK	786	4,486	-22%	8.4%	78%	11.9%	5.0x	0.6x
PT ADHI KARYA PERSERO TBK	149	2,637	-29%	4.3%	154%	7.7%	4.8x	0.4x
Thailand								
CH. KARNCHANG PUBLIC CO LTD	960	2,775	-86.1%	7.7%	133.0%	5.1%	74.6x	1.2x
SINO THAI ENGR & CONSTR PCL	637	1,654	-22.6%	4.5%	11.2%	9.6%	15.7x	1.4x
UNIQUE ENGINEERING & CON PCL	167	1,103	-27.2%	6.1%	139.4%	7.3%	9.0x	0.6x
Philippines								
MEGAWIDE CONSTRUCTION CORP	271	1,593	-	4.3%	265.3%	-	-	-
EEL CORPORATION	117	553	-	4.9%	107.9%	-0.4%	1.4x	0.7x
HOUSE OF INVESTMENTS	48	1,026	50.3%	2.9%	62.2%	2.2%	0.6x	0.2x
Vietnam								
FLC FAROS CONSTRUCTION JSC	55	460	-	3.7%	27.5%	-0.7%	-	0.2x
HO CHI MINH CITY INFRASTRUCT	189	1,262	325.0%	10.8%	159.1%	8.0%	11.3x	0.8x
HOA BINH CONSTRUCTION GROUP	101	722	-51.9%	2.2%	125.3%	7.1%	9.5x	0.7x
Malaysia								
GAMUDA BHD	2,007	4,172	37.5%	15.5%	60.7%	6.9%	14.4x	1.0x
IJM CORP BHD	1,080	5,435	-40.2%	3.8%	59.6%	2.6%	18.0x	0.5x
SUNWAY CONSTRUCTION GROUP BHD	594	466	-39.0%	7.3%	47.6%	13.9%	29.6x	4.1x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

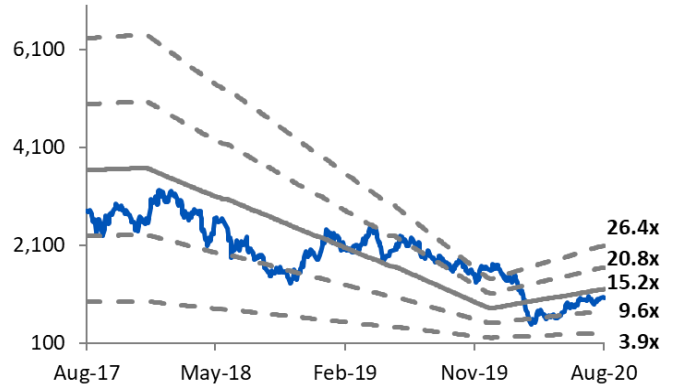
Valuation Highlights in Charts

3-Years Forward P/E Band



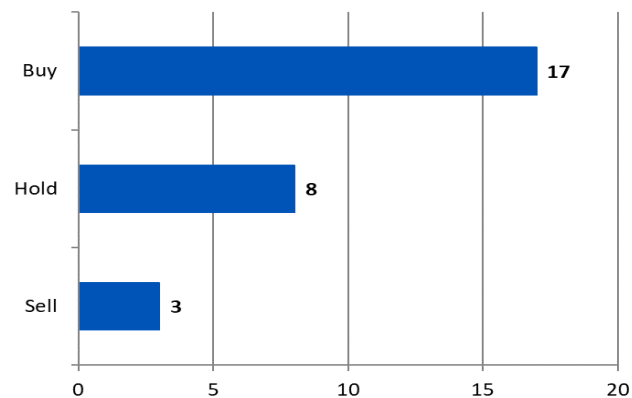
Source: Bloomberg, NHKSI Research

3-Years Dynamic Forward P/E band



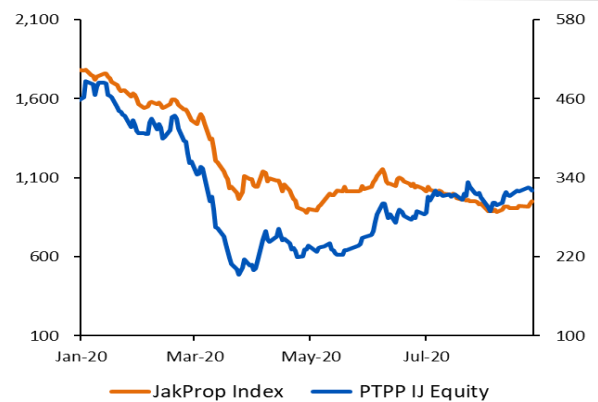
Source: Bloomberg, NHKSI Research

Analysts' Recommendation



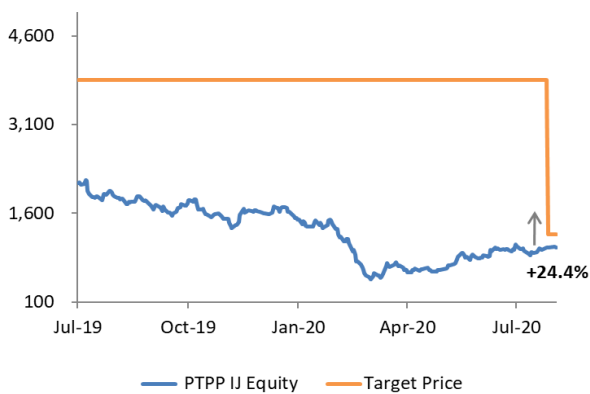
Source: Bloomberg, NHKSI Research

Correlation between PTPP and Jakarta Property Index



Source: Bloomberg, NHKSI Research

Closing and Target Price Update



Source: Bloomberg, NHKSI Research

Rating and Target Price Update

Date	Rating	Target Price	Consensus
12-04-2018	Buy	IDR3,850	IDR3,971
28-08-2020	Buy	IDR1,250	IDR1,131

Source: NHKSI Research

NHKSI Stock Ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Buy: greater than +15%, Hold: -15% to +15%, Sell: less than -15%.

Summary of Financials

INCOME STATEMENT

In IDR bn	2019/12A	2020/12E	2021/12E	2022/12E
Revenue	24,660	16,342	20,960	25,443
Growth (% y/y)	-1.8%	-33.7%	28.3%	21.4%
Cost of Revenue	(21,175)	(14,496)	(18,444)	(22,178)
Gross Profit	3,485	1,845	2,517	3,264
Gross Margin	14.1%	11.3%	12.0%	12.8%
Operating Expenses	(1,628)	(1,017)	(1,344)	(1,631)
EBIT	1,857	829	1,173	1,633
EBIT Margin	7.5%	5.1%	5.6%	6.4%
Depreciation	979	1,049	215	754
EBITDA	2,836	1,878	1,388	2,387
EBITDA Margin	11.5%	11.5%	6.6%	9.4%
Interest Expenses	(4)	(5)	(2)	(6)
EBT	1,240	551	748	1,175
Income Tax	(31)	(45)	(19)	(30)
Minority Interest	(278)	(174)	(151)	(291)
Net Profit	930	332	579	855
Growth (% y/y)	-38.1%	-64.4%	74.5%	47.7%
Net Profit Margin	3.8%	2.0%	2.8%	3.4%

PROFITABILITY & STABILITY

	2019/12A	2020/12E	2021/12E	2022/12E
ROE	5.8%	2.2%	3.8%	5.4%
ROA	1.7%	0.6%	1.0%	1.3%
ROIC	5.7%	2.2%	3.1%	3.8%
Cash Dividend (IDR bn)	300	209	100	174
Dividend Yield (%)	3.1%	2.7%	1.3%	2.2%
Payout Ratio (%)	32%	63%	17%	20%
DER	105%	131%	141%	158%
Net Gearing	42%	69%	76%	87%
LT Debt to Equity	64%	81%	87%	98%
Capitalization Ratio	51%	57%	59%	61%
Equity Ratio	28%	26%	25%	24%
Debt Ratio	29%	34%	36%	38%
Financial Leverage	341%	372%	389%	404%
Current Ratio	132%	130%	128%	127%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	6,200	6,200	6,200	6,200
Share Price (IDR)	1,585	1,250	1,250	1,250
Market Cap (IDR tn)	9.8	7.7	7.7	7.7

BALANCE SHEET

In IDR bn	2019/12A	2020/12E	2021/12E	2022/12E
Cash	9,712	9,026	10,006	11,629
Receivables	4,445	5,404	5,424	7,720
Inventories	9,566	10,848	11,385	12,312
Total Current Assets	38,568	37,031	39,170	43,102
Fixed Assets	12,689	13,730	16,240	19,068
Other Non Current Assets	4,933	5,583	5,360	5,573
Total Assets	56,190	56,344	60,769	67,743
Payables	18,100	16,056	16,687	18,190
ST Debt	6,325	7,343	8,322	9,916
LT Debt	9,980	11,860	13,441	16,015
Total Liabilities	40,638	41,670	45,334	51,330
Capital Stock + APIC	5,330	5,330	5,330	5,330
Retained Earnings	4,653	3,691	4,170	4,850
Shareholders' Equity	15,552	14,674	15,435	16,412

VALUATION INDEX

	2019/12A	2020/12E	2021/12E	2022/12E
Price /Earnings	10.6x	23.4x	13.4x	9.1x
Price /Book Value	0.6x	0.5x	0.5x	0.5x
Price/Revenue	0.4x	0.5x	0.4x	0.3x
PE/EPS Growth	-0.3x	-0.4x	0.2x	0.2x
EV/EBITDA	7.0x	11.4x	16.7x	10.8x
EV/EBIT	10.7x	25.8x	19.7x	15.8x
EV (IDR bn)	19,789	21,358	23,109	25,835
Revenue CAGR (3-Yr)	14.4%	-8.7%	-5.9%	1.0%
EPS CAGR (3-Yr)	-3.0%	-38.9%	-27.2%	-2.8%
Basic EPS (IDR)	150	53	93	138
Diluted EPS (IDR)	150	53	93	138
BVPS (IDR)	2,508	2,367	2,490	2,647
Revenue PS (IDR)	3,977	2,636	3,381	4,104
DPS (IDR)	48	34	16	28

CASH FLOW STATEMENT

In IDR bn	2019/12A	2020/12E	2021/12E	2022/12E
Operating Cash Flow	564	57	573	1,109
Investing Cash Flow	(3,289)	(1,995)	(2,336)	(3,777)
Financing Cash Flow	3,195	1,294	2,743	4,291
Net Changes in Cash	470	(645)	981	1,622

OWNERSHIP

By Geography	% Shareholders	%	
Indonesia	78.3	Republic of Indonesia	51.0
Norway	7.7	Norges Bank	5.1
United States	6.4	Value Partners Limited	2.1
Luxembourg	3.3	Dimensional Fund Advi	1.7

Source: Company Data, NHKSI Research

DISCLAIMER

This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein. All rights reserved by PT NH Korindo Sekuritas Indonesia.