

# Pembangunan Perumahan Tbk (PTPP)

## Relying on Divestment Realization

Company Update | November 10, 2020

# BUY

<b>Target Price (IDR)</b>	<b>1,140</b>
Consensus Price (IDR)	1,156
TP to Consensus Price	-1.4%
vs. Last Price	+21.9%

### Shares data

Last Price (IDR)	935
Price Date as of	November, 6 2020
52 wk Range (Hi/Lo)	1,945/484
Free Float (%)	49.0
Outstanding sh. (mn)	6,200
Market Cap. (IDR bn)	5,859
Market Cap. (USD mn)	416
Avg. Trd Vol - 3M (mn)	33.38
Avg. Trd Val - 3M (bn)	31.13
Foreign Ownership	21.7%

### Property

#### Construction

Bloomberg	<b>PTPP IJ</b>
Reuters	<b>PTPP.JK</b>

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-42.9%	12.2%	-2.1%	-45.1%
Rel. Ret.	-26.6%	6.1%	-4.7%	-29.0%

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PTPP's performance in 3Q20 was under below expectations. PTPP recorded an income of IDR3.27 trillion (-38.7% YoY, -2% QoQ) and profit of IDR10 billion (-94.2% YoY). Up to September 2020, PTPP new contracts reached 46% of its 2020 target. However, contract acquisition slowed down in 3Q20. PTPP is expected to realize potential assets divestment to gain fresh flow of funds and boost the FY20 and FY21 performance.

### Income Still Decreases Annually and Quarterly

PTPP booked an income of IDR3.27 trillion in 3Q20 (-38.7% YoY vs IDR5.33 trillion 3Q19). On a quarterly basis, PTPP's income slightly decreased by 2%. The construction segment with the largest contribution on its revenue of 76.1% was recorded at IDR2.49 trillion (-48% YoY, -5% QoQ), followed by property and realty with a 14% contribution of IDR458 billion and the EPC segment of IDR262 billion. Meanwhile, GPM, OPM and NPM each recorded an increase to 13%, 9%, 0.3% compared to the previous quarter. On the other hand, PTPP's profit in 3Q20 was IDR10 billion (-94.2% YoY vs IDR181 billion 3Q19).

### New Contract Reaches 46% of 2020 Target

Until September 2020, new contracts acquired by PTPP reached IDR11.77 trillion or 46% of this year's target of IDR25.23 trillion. We see that the new contracts acquired by PTPP is not yet optimal, where the achievement is lower than our expectation of IDR15 trillion. In 3Q19, PTPP only managed to achieve new contracts worth IDR2.79 trillion or lower than the achievements of the previous two quarters.

### Relies on Divestment to Boost Performance

PTPP still booked a negative operating cash flow (CFO) until 3Q20. An increase in cash received from customers still could not result in a positive CFO. In order to cover the negative balance in the CFO, increase profits and improve performance this year, PTPP must realize the divestment plan of its assets as soon as possible. These includes: ownership of 14% of the assets of the Citra Karya Jabardan toll road concession and 25% of shares in Prima Multi Terminal (PMT). Both will generate fresh cash flows of up to IDR421 billion for PTPP. Other assets that PTPP plans to be divested are the Cismudawu Toll, Kuala Tanjung Port, Pandaan-Malang Toll Road and Medan Kuala Namu-Tebing Tinggi Toll.

### Maintain BUY Rating with TP IDR1,140

As the 3Q20 performance is under our projection, we revised down our FY20 and FY21 income estimation each by -4.8% and -16.2% to IDR15.56 trillion and IDR17.57 trillion. PTPP's profit was also revised by -24.7% and 11.1% to IDR250 billion and IDR642 billion. Until the end of the year, we forecast PTPP's performance to still be sluggish, especially if divestment is not realized. So, we increased the FY21 profit with the estimates that divestment will be successfully executed in 2021. We maintain buy rating by revising target price to IDR1,140 based on forward P/E 11x (-0.7 SD) with return potential of 21.9% from the current price.

### Pembangunan Perumahan (PP) Tbk | Summary

	2019A	2020F	2021F	2022F
Revenue	24,660	15,560	17,567	20,770
Growth (%)	-1.8%	-36.9%	12.9%	18.2%
EBITDA	2,836	2,031	1,381	2,026
Net Profit	930	250	642	827
EPS (IDR)	150	40	104	133
Growth (%)	-38.1%	-73.2%	157.4%	28.8%
P/E	10.6x	28.3x	11.0x	8.5x
P/BV	10.6x	0.5x	0.5x	0.4x
EV/EBITDA	7.0x	9.9x	15.2x	11.6x
ROE (%)	5.8%	1.7%	4.3%	5.2%
DER (%)	105%	137%	142%	153%
Dividen Yield	3.1%	3.0%	1.1%	2.7%

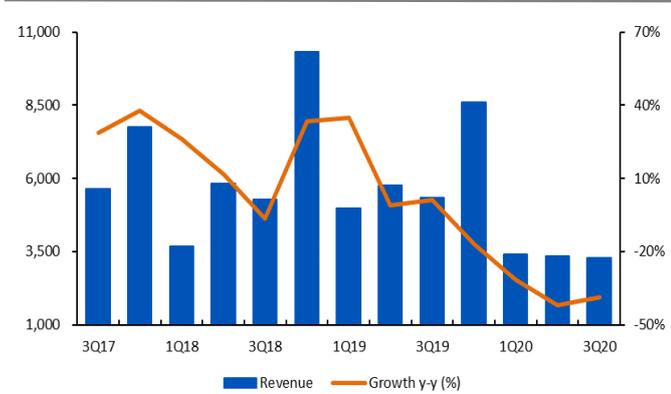
Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

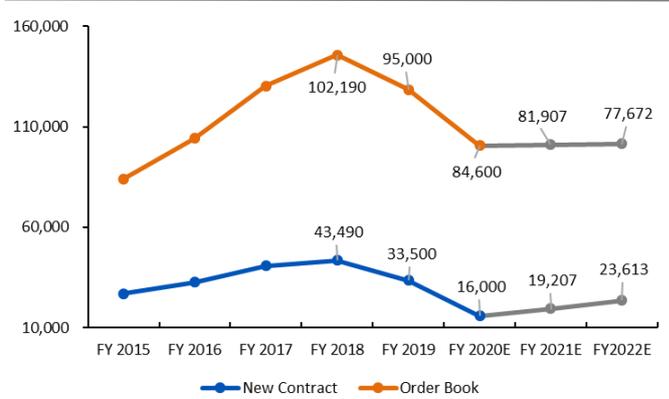
## Performance Highlights in Charts

PTPP Quarterly Revenue (IDR bn) | 3Q17 - 3Q20



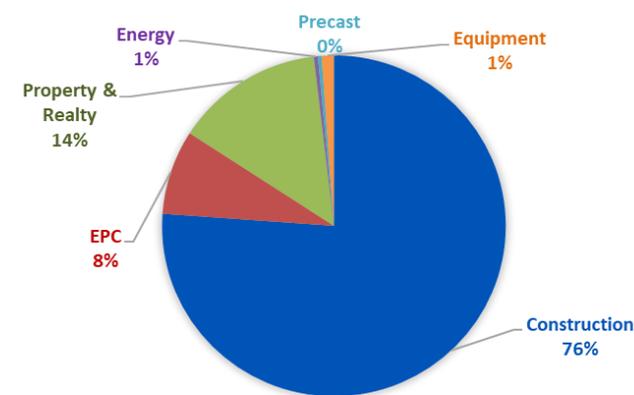
Source: Company Data, NHKSI Research

PTPP Order Book & New Contract



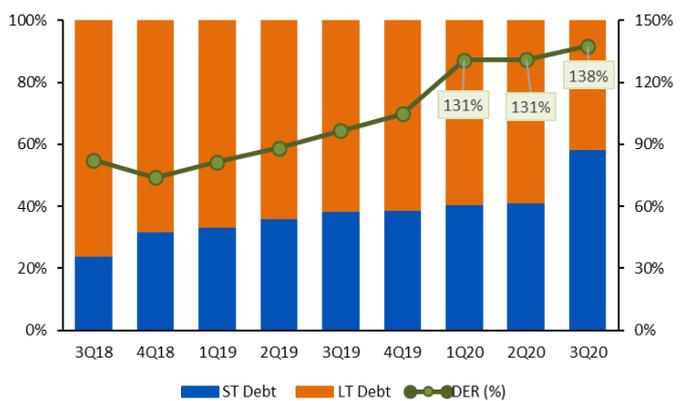
Source: Company Data, NHKSI Research

3Q20's Revenue Breakdown



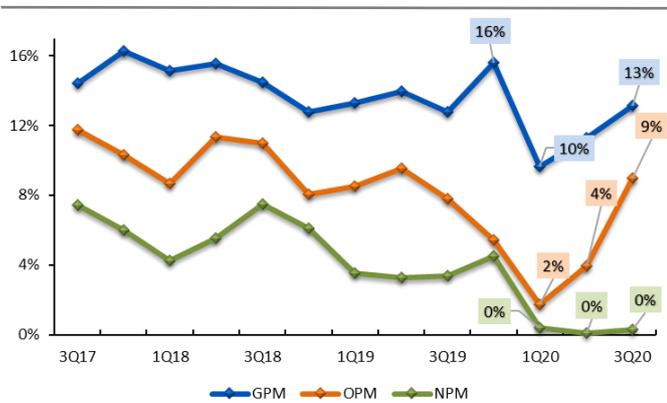
Source: Company Data, NHKSI Research

Debt Portion



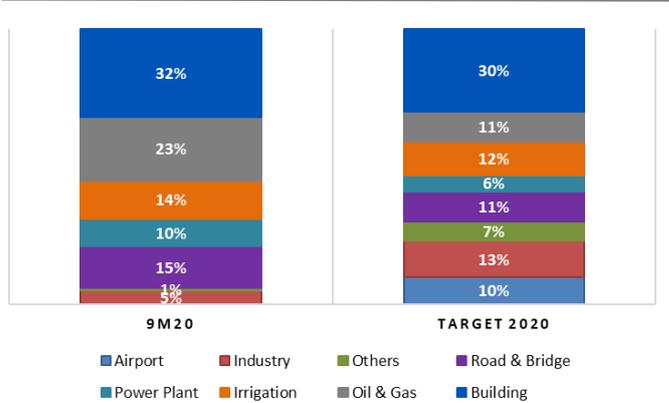
Source: Company Data, NHKSI Research

Margin Ratios



Source: Company Data, NHKSI Research

New Project based on Type of Project | 9M20 & FY20E



Source: Company Data, NHKSI Research

Quarterly Review

	3Q19	4Q19	1Q20	2Q20	3Q20					4Q20E
					Actual	Estimate	Y-Y	Q-Q	Surprise	
<b>Income statement</b>										
Revenue	5,339	8,579	3,409	3,336	3,274	3,833	-38.7%	-1.9%	-14.6%	5,540
Gross Profit	682	1,340	329	337	430	468	-37.0%	13.9%	-8.2%	704
EBIT	416	468	59	132	294	254	-29.2%	123.1%	16.0%	454
EBITDA	654	965	619	347	488	383	-25.4%	49.9%	27.4%	599
Net Profit	181	386	13	3	10	99	-94.2%	297.1%	-89.5%	223
<b>Margin (%)</b>										
Gross Margin	12.8%	15.6%	9.6%	11.3%	13.1%	12.2%	0.3%	1.8%	7.5%	12.7%
EBIT Margin	7.8%	5.4%	1.7%	4.0%	9.0%	6.6%	1.2%	5.0%	35.8%	8.2%
EBITDA Margin	12.3%	11.2%	18.2%	10.4%	14.9%	10.0%	2.6%	5.1%	49.2%	10.8%
Net Profit Margin	3.4%	4.5%	0.4%	0.1%	0.3%	2.6%	-3.1%	0.2%	-87.7%	4.0%

Unit: IDR bn, %

Source: Company Data, NHKSI Research

Revisions to Earnings

		2020F	2021F	2022F
<b>Income Statement</b>				
Revenue	-Revised	15,560	17,567	20,770
	-Previous	16,342	20,960	25,443
	-Change	-4.8%	-16.2%	-18.4%
Gross Profit	-Revised	1,839	2,275	2,576
	-Previous	1,845	2,517	3,264
	-Change	-0.3%	-9.6%	-21.1%
EBIT	-Revised	939	1,187	1,290
	-Previous	829	1,173	1,633
	-Change	13.3%	1.2%	-21.0%
EBITDA	-Revised	2,031	1,381	2,026
	-Previous	1,878	1,388	2,387
	-Change	8.2%	-0.5%	-15.1%
Net Profit	-Revised	250	642	827
	-Previous	332	579	855
	-Change	-24.7%	11.1%	-3.2%
<b>Margin</b>				
Gross Margin	-Revised	11.8%	13.0%	12.4%
	-Previous	11.3%	12.0%	12.8%
EBIT Margin	-Revised	6.0%	6.8%	6.2%
	-Previous	5.1%	5.6%	6.4%
EBITDA Margin	-Revised	13.1%	7.9%	9.8%
	-Previous	11.5%	6.6%	9.4%
Net Profit Margin	-Revised	1.6%	3.7%	4.0%
	-Previous	2.0%	2.8%	3.4%

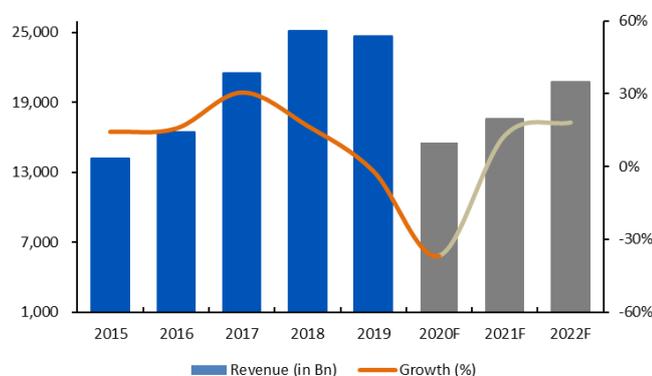
Unit: IDR bn, %

Source: Company Data, NHKSI Research

## Company Overview

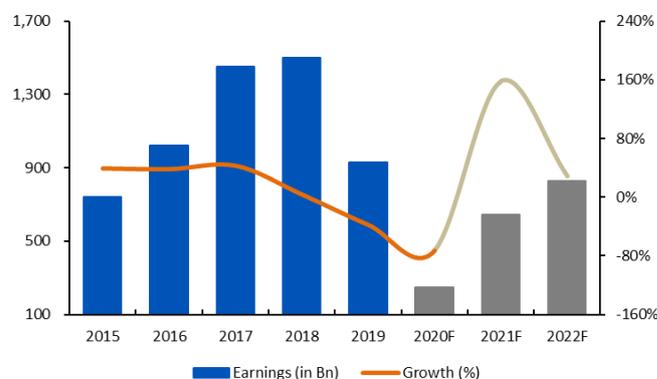
- PT Pembangunan Perumahan (PP) Tbk (PTPP) was founded in 1953 under the name NV Pembangunan Perumahan
- PTPP officially took the floor on the Indonesia Stock Exchange (IDX) on 9 February 2010.
- Has 5 (five) subsidiaries, namely; PP Property, PP Infrastructure, PP Energy, PP Urban, PP Precision.
- Has 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

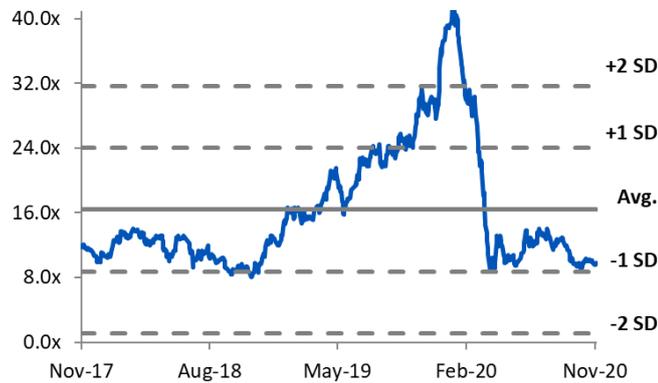
	Market Cap (USD mn)	Asset (USD mn)	Net Profit Growth (LTM)	Net Profit Margin	DER	ROE (LTM)	P/E	P/BV
<b>Indonesia</b>								
PT PP PERSERO TBK	416	4,058	-73%	1.6%	137%	1.7%	11.0x	0.5x
PT WASKITA KARYA PERSERO TBK	747	8,853	-92%	3.0%	238%	-7.0%	35.1x	0.7x
PT WIJAYA KARYA PERSERO TBK	797	4,486	-56%	8.4%	78%	11.9%	4.9x	0.6x
PT ADHI KARYA PERSERO TBK	158	2,637	-50%	4.3%	154%	5.4%	6.8x	0.4x
<b>Thailand</b>								
CH. KARNCHANG PUBLIC CO LTD	882	2,775	-86.1%	7.7%	133.0%	5.1%	67.2x	1.0x
SINO THAI ENGR & CONSTR PCL	556	1,654	-22.6%	4.5%	11.2%	9.6%	13.3x	1.2x
UNIQUE ENGINEERING & CON PCL	158	1,103	-27.2%	6.1%	139.4%	7.3%	8.3x	0.6x
<b>Philippines</b>								
MEGAWIDE CONSTRUCTION CORP	303	1,593	-	4.3%	265.3%	-2.5%	-	1.1x
EEL CORPORATION	161	553	-	4.9%	107.9%	-0.4%	6.7x	1.1x
HOUSE OF INVESTMENTS	55	1,026	-50.3%	2.9%	62.2%	2.2%	6.3x	0.2x
<b>Vietnam</b>								
FLC FAROS CONSTRUCTION JSC	56	460	-	3.7%	27.5%	-0.8%	-	0.2x
HO CHI MINH CITY INFRASTRUCT	174	1,262	-94.1%	10.8%	159.1%	0.5%	148.1x	0.8x
HOA BINH CONSTRUCTION GROUP	107	722	-29.3%	2.2%	125.3%	7.1%	10.0x	0.7x
<b>Malaysia</b>								
GAMUDA BHD	2,238	4,386	-47.4%	10.1%	68.6%	4.5%	24.4x	1.1x
IJM CORP BHD	1,277	5,435	-53.7%	3.8%	59.6%	2.0%	27.4x	0.5x
SUNWAY CONSTRUCTION GROUP BHD	577	466	-39.0%	7.3%	47.6%	13.9%	28.4x	4.0x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

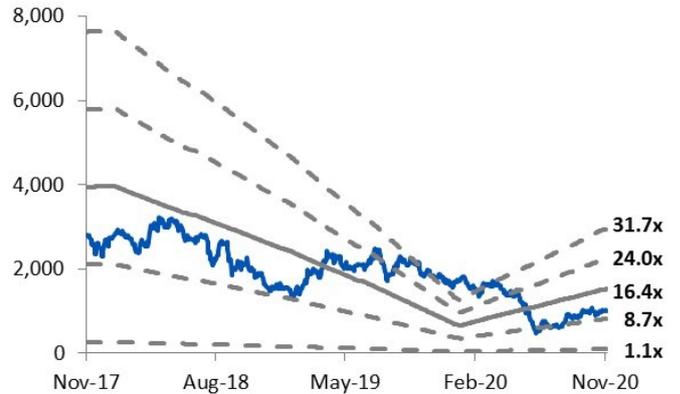
### Valuation Highlights in Charts

3-Years Forward P/E Band



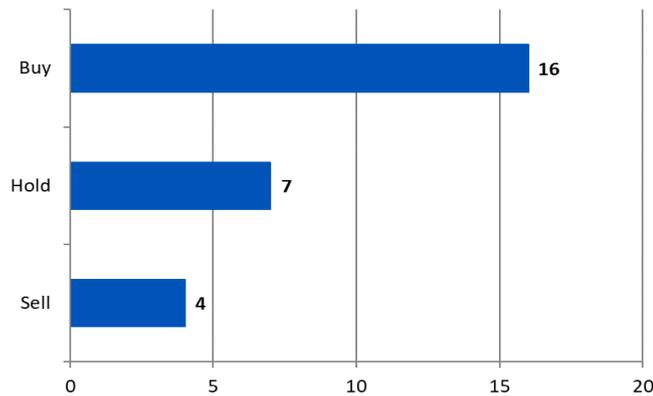
Source: Bloomberg, NHKSI Research

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
10-11-2020	Buy	IDR1,140	IDR1,156

Source: NHKSI Research

#### NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Rating system based on a stock's potential upside from the date of publication
  - Buy : Greater than +15%
  - Overweight : +5% to 15%
  - Hold : -5% to +5%
  - Underweight : -5% 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	15,560	17,567	20,770
Growth (% y/y)	-1.8%	-36.9%	12.9%	18.2%
Cost of Revenue	(21,175)	(13,721)	(15,292)	(18,194)
<b>Gross Profit</b>	<b>3,485</b>	<b>1,839</b>	<b>2,275</b>	<b>2,576</b>
Gross Margin	14.1%	11.8%	13.0%	12.4%
Operating Expenses	(1,628)	(900)	(1,088)	(1,286)
<b>EBIT</b>	<b>1,857</b>	<b>939</b>	<b>1,187</b>	<b>1,290</b>
EBIT Margin	7.5%	6.0%	6.8%	6.2%
Depreciation	979	1,092	194	737
<b>EBITDA</b>	<b>2,836</b>	<b>2,031</b>	<b>1,381</b>	<b>2,026</b>
EBITDA Margin	11.5%	13.1%	7.9%	9.8%
Interest Expenses	(4)	(6)	(2)	(6)
<b>EBT</b>	<b>1,240</b>	<b>491</b>	<b>831</b>	<b>1,170</b>
Income Tax	(31)	(54)	(21)	(30)
Minority Interest	(278)	(188)	(167)	(313)
<b>Net Profit</b>	<b>930</b>	<b>250</b>	<b>642</b>	<b>827</b>
Growth (% y/y)	-38.1%	-73.2%	157.4%	28.8%
Net Profit Margin	3.8%	1.6%	3.7%	4.0%

## PROFITABILITY &amp; STABILITY

	2019/12A	2020/12E	2021/12E	2022/12E
ROE	5.8%	1.7%	4.3%	5.2%
ROA	1.7%	0.4%	1.1%	1.3%
ROIC	5.7%	2.4%	3.1%	3.0%
Cash Dividend (IDR bn)	300	209	75	193
Dividend Yield (%)	3.1%	3.0%	1.1%	2.7%
Payout Ratio (%)	32%	84%	12%	23%
DER	105%	137%	142%	153%
Net Gearing	42%	66%	67%	77%
LT Debt to Equity	64%	81%	84%	90%
Capitalization Ratio	51%	58%	59%	60%
Equity Ratio	28%	26%	26%	26%
Debt Ratio	29%	35%	37%	40%
Financial Leverage	341%	374%	387%	386%
Current Ratio	132%	127%	128%	128%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	6,200	6,200	6,200	6,200
Share Price (IDR)	1,585	1,140	1,140	1,140
Market Cap (IDR tn)	9.8	7.1	7.1	7.1

## BALANCE SHEET

In IDR bn	2019/12A	2020/12E	2021/12E	2022/12E
Cash	9,712	10,362	11,552	12,371
Receivables	4,445	4,933	4,142	4,962
Inventories	9,566	9,756	8,679	8,269
<b>Total Current Assets</b>	<b>38,568</b>	<b>36,953</b>	<b>38,090</b>	<b>39,331</b>
Fixed Assets	12,689	13,782	15,872	18,060
Other Non Current Assets	4,933	5,923	5,567	5,883
<b>Total Assets</b>	<b>56,190</b>	<b>56,658</b>	<b>59,529</b>	<b>63,274</b>
Payables	18,100	15,732	15,271	14,637
ST Debt	6,325	8,203	8,998	10,279
LT Debt	9,980	11,791	12,933	14,775
<b>Total Liabilities</b>	<b>40,638</b>	<b>42,063</b>	<b>44,085</b>	<b>46,899</b>
Capital Stock + APIC	5,330	5,330	5,330	5,330
Retained Earnings	4,653	3,616	4,183	4,817
<b>Shareholders' Equity</b>	<b>15,552</b>	<b>14,594</b>	<b>15,444</b>	<b>16,375</b>

## VALUATION INDEX

	2019/12A	2020/12E	2021/12E	2022/12E
Price /Earnings	10.6x	28.3x	11.0x	8.5x
Price /Book Value	0.6x	0.5x	0.5x	0.4x
Price/Revenue	0.4x	0.5x	0.4x	0.3x
PE/EPS Growth	-0.3x	-0.4x	0.1x	0.3x
EV/EBITDA	7.0x	9.9x	15.2x	11.6x
EV/EBIT	10.7x	21.4x	17.7x	18.2x
EV (IDR bn)	19,789	20,132	21,049	23,533
Revenue CAGR (3-Yr)	14.4%	-10.2%	-11.2%	-5.6%
EPS CAGR (3-Yr)	-3.0%	-44.4%	-24.7%	-3.8%
Basic EPS (IDR)	150	40.26	104	133
Diluted EPS (IDR)	150	40.26	104	133
BVPS (IDR)	2,508	2,354	2,491	2,641
Revenue PS (IDR)	3,977	2,510	2,833	3,350
DPS (IDR)	48	34	12	31

## CASH FLOW STATEMENT

In IDR bn	2019/12A	2020/12E	2021/12E	2022/12E
Operating Cash Flow	564	274	734	816
Investing Cash Flow	(3,289)	(1,780)	(1,688)	(3,222)
Financing Cash Flow	3,195	2,219	2,144	3,226
<b>Net Changes in Cash</b>	<b>470</b>	<b>713</b>	<b>1,190</b>	<b>819</b>

## OWNERSHIP

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

Source: Company Data, NHKSI Research

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