

Pembangunan Perumahan Tbk (PTPP)

Low Gearing Ratio Provides Financial Flexibility

Company Update | July 16, 2021

BUY

Target Price (IDR)	1,220
Consensus Price (IDR)	1,432
TP to Consensus Price	-14.8%
Potential Upside	+43.5%

Shares data

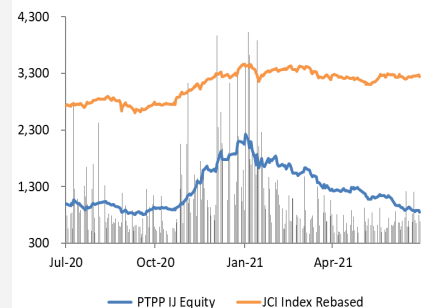
Last Price (IDR)	850
Price Date as of	July 14, 2021
52 wk Range (Hi/Lo)	2,360/785
Free Float (%)	48.9
Outstanding sh. (mn)	6,200
Market Cap. (IDR bn)	5,239
Market Cap. (USD mn)	361
Avg. Trd Vol - 3M (mn)	27.09
Avg. Trd Val - 3M (bn)	29.11
Foreign Ownership	14.2%

Infrastructure

Construction

Bloomberg	PTPP IJ
Reuters	PTPP.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-54.9%	-22.0%	-30.9%	-14.6%
Rel. Ret.	-53.4%	-20.9%	-32.3%	-33.3%

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PTPP's revenue declined by 16.7% YoY in 1Q21, but lower cost of revenue and operating expenses boosted profit growth to IDR38 billion (+187.3% YoY). We are optimistic that the construction sector is still a priority under the National Economic Recovery (PEN) program. PTPP is also actively working on the National Strategic Project (PSN) and still has financial flexibility with a low gearing ratio.

Top Line Depressed, but Bottom Line Still Grows

- PTPP posted 1Q21 revenue of IDR2.83 trillion (-16.7% YoY vs IDR3.4 trillion in 1Q20).
- Revenue from the construction segment—the biggest revenue contributor (78.1% of total revenue)—was recorded at IDR2.21 trillion (-18% YoY). Meanwhile, construction gross margin increased to 12% (vs 4% in 1Q20) when the other segments declined.
- Overall, GPM, OPM, and NPM grew to 14.3%, 6.4%, and 1.3%.
- PTPP managed to minimize cost of revenue especially from the construction segment. Moreover, operating expense also went down 17% YoY.
- PTPP successfully recorded profit of IDR38 billion (+187.3% YoY vs IDR13 billion in 1Q20).

Continues with Asset Divestment

- Throughout 1Q21, PTPP managed to book new contracts amounting to IDR2.5 trillion or 8% of this year's target.
- PTPP still have strong balance sheet Compared to other Construction SOEs, PTPP has the lowest gross gearing at 1.36x.
- We believe that PTPP still has a lot of room to finance projects in the order book. However, PTPP has to pay close attention to the negative cash flow.
- PTPP is working on the first factory construction in KIT Batang, which is one of the National Strategic Projects (PSN).
- In 2H21, PTPP owns 2 assets which are on the last stage of divestment process, which are Medan-Kualanamu Toll Road and Kuala Tanjung Port worth IDR800 billion. Currently, PTPP is also in the early stage of Padaan-Malang Toll Road divestment. These divestments will positively impact PTPP's finances in 2021.

Buy Rating with TP of IDR1,220

- Amid the downward revision to Indonesia's economic growth target (fr 4.3%-5.3%; to 3.7%-4.5%), we are still optimistic that the construction sector is still a priority in the National Economic Recovery Program (PEN).
- This is proven by the distribution of fresh funds through State Capital Participation (PMN) in 2021 and 2022 to several construction companies for working on government projects.
- We maintain our BUY rating by revising down TP to IDR1,220 based on forward P/E 9.7x (+0.9 SD last 3-year average). Our TP reflects 44.4% potential upside from the last price.

Pembangunan Perumahan (PP) Tbk | Summary

	2020A	2021F	2022F	2023F
Revenue	15,831	18,939	22,121	28,900
Growth	-35.8%	19.6%	16.8%	30.6%
Net Profit	129	417	784	1,148
Growth	-86.2%	223.9%	88.1%	46.4%
EPS (IDR)	21	67	127	185
P/E	89.8x	18.1x	9.6x	6.6x
P/BV	0.8x	0.5x	0.5x	0.4x
EV/EBITDA	17.0x	12.6x	12.5x	9.4x
ROE	0.9%	2.9%	5.2%	7.1%
DER	132%	157%	160%	161%
Dividend Yield	1.8%	0.0%	1.2%	2.2%

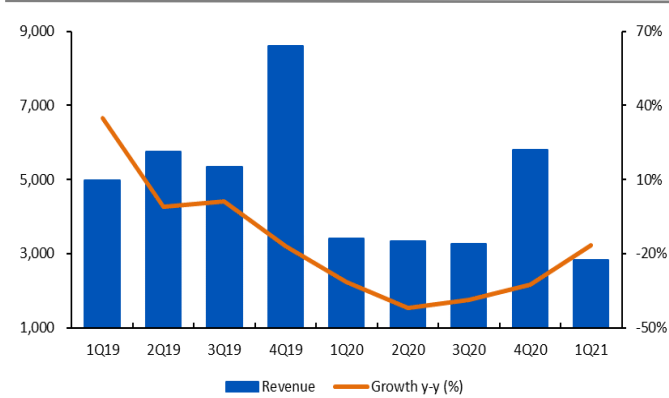
Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

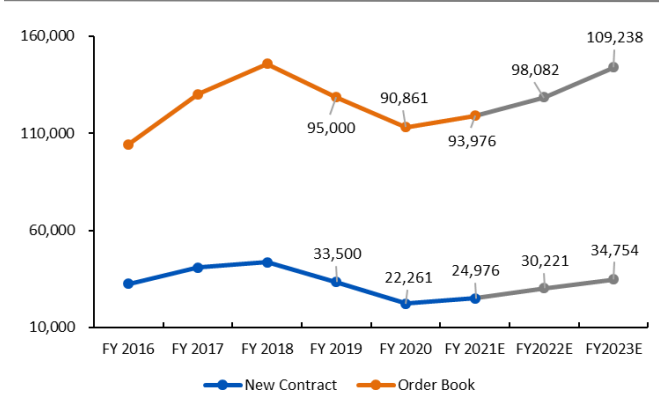
Performance Highlights in Charts

PTPP Quarterly Revenue (IDR bn) | 1Q19 - 1Q21



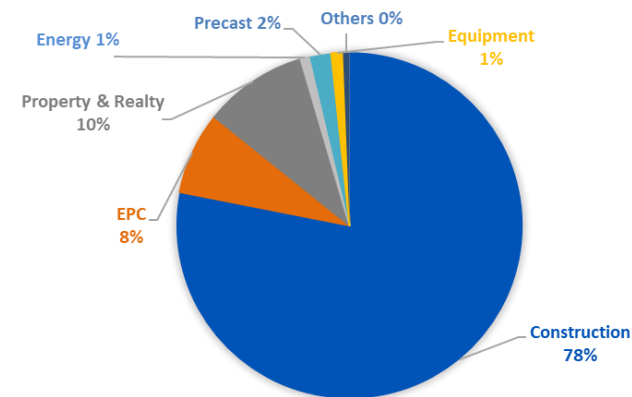
Source: Company Data, NHKSI Research

PTPP Order Book & New Contract



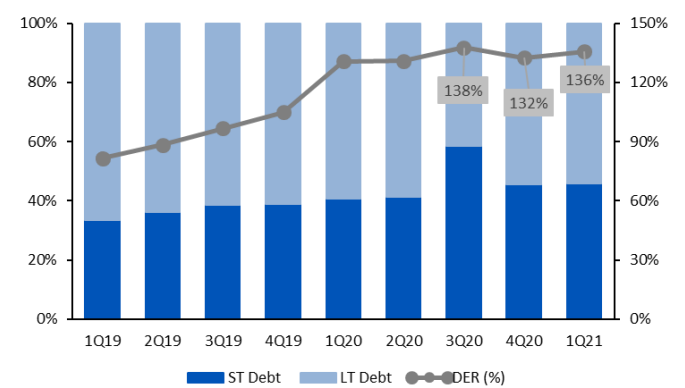
Source: Company Data, NHKSI Research

1Q21's Revenue Breakdown



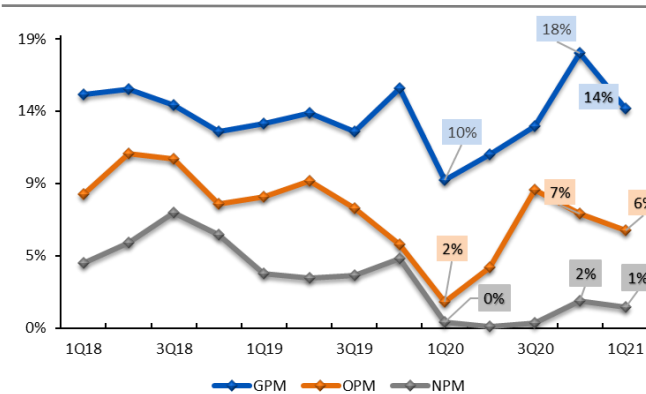
Source: Company Data, NHKSI Research

Debt Portion



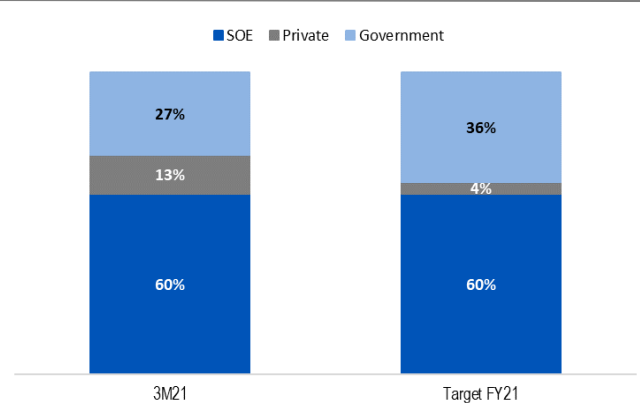
Source: Company Data, NHKSI Research

Margin Ratios



Source: Company Data, NHKSI Research

New Project based on Ownership | 3M21 & Target FY21



Source: Company Data, NHKSI Research

Company Overview



CONSTRUCTION & INVESTMENT

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.

PTPP 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.

Analysis of Asia-Pacific Peers

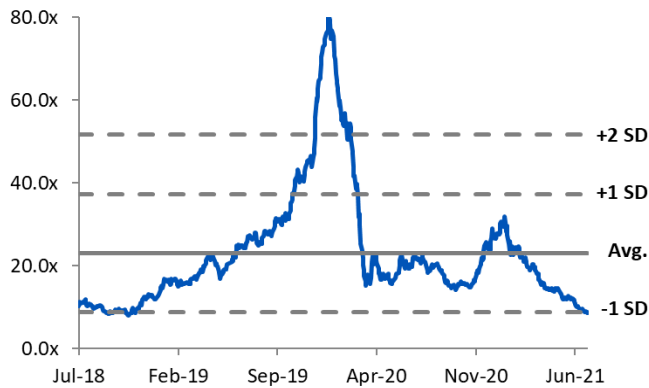
	Market Cap (USD mn)	Asset (USD mn)	Net Profit Growth (LTM)	Net Profit Margin	DER	ROE (LTM)	P/E	P/BV
Indonesia								
PT PP PERSERO TBK	361	3,840	224%	2.2%	157%	2.9%	9.6x	0.5x
PT WASKITA KARYA PERSERO TBK	813	7,583	-	-45.6%	376%	-58.1%	-	1.6x
PT WIJAYA KARYA PERSERO TBK	602	4,891	-92%	1.1%	158%	1.1%	47.1x	0.5x
PT ADHI KARYA PERSERO TBK	167	2,736	-97%	0.2%	175%	0.3%	146.4x	0.4x
Thailand								
CH. KARNCHANG PUBLIC CO LTD	959	2,760	-28.8%	3.7%	161.9%	3.6%	33.7x	1.2x
SINO THAI ENGR & CONSTR PCL	626	1,468	-19.9%	3.0%	16.8%	7.9%	19.0x	1.4x
UNIQUE ENGINEERING & CON PCL	233	1,119	-90.0%	2.0%	190.8%	0.9%	108.0x	0.9x
Philippines								
MEGAWIDE CONSTRUCTION CORP	265	1,694	-	-3.1%	223.8%	-5.5%	-	0.8x
EEI CORPORATION	169	560	-	-14.7%	173.7%	-27.8%	-4.2x	1.3x
HOUSE OF INVESTMENTS	64	1,081	-	-3.9%	76.2%	-5.0%	-	0.2x
Vietnam								
FLC FAROS CONSTRUCTION JSC	131	454	-84.4%	0.0%	11.0%	0.3%	166.3x	0.5x
HO CHI MINH CITY INFRASTRUCT	164	1,279	-96.7%	4.7%	213.0%	0.2%	284.0x	0.8x
HOA BINH CONSTRUCTION GROUP	133	673	-70.8%	0.8%	123.4%	2.5%	34.7x	0.9x
Malaysia								
GAMUDA BHD	1,666	4,370	-37.8%	10.1%	61.0%	4.1%	19.6x	0.8x
IJM CORP BHD	1,503	5,667	72.3%	7.7%	56.2%	4.4%	14.7x	0.6x
SUNWAY CONSTRUCTION GROUP BHD	492	474	-33.1%	4.7%	48.3%	11.8%	26.9x	3.1x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

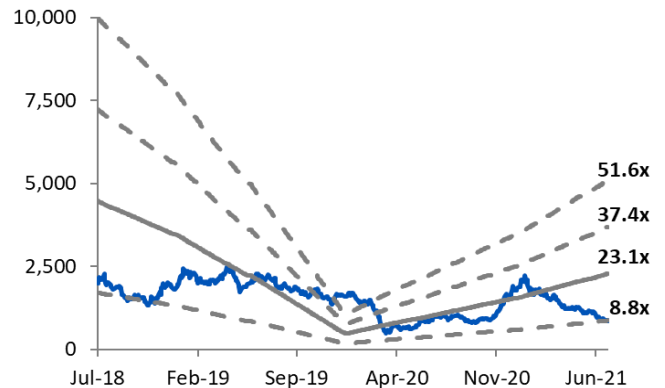
Valuation Highlights in Charts

3-Years Forward P/E Band



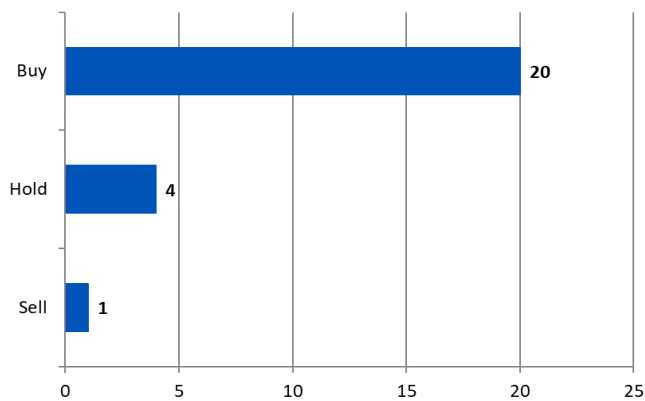
Source: Bloomberg, NHKSI Research

3-Years Dynamic Forward P/E band



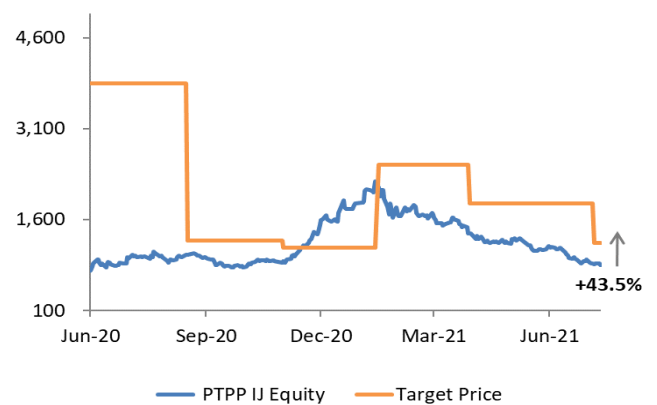
Source: Bloomberg, NHKSI Research

Analysts' Recommendation



Source: Bloomberg, NHKSI Research

Closing and Target Price Update



Source: Bloomberg, NHKSI Research

Rating and Target Price Update

Target Price

Date	Rating	Target Price	Last Price	Consensus	Potential Upside	vs Consensus
28/08/2020	Buy	1,250 (12 Month)	1,005	1,131	+24.4%	+10.5%
10/11/2020	Buy	1,140 (12 Month)	935	1,156	+21.9%	-1.4%
18/01/2021	Overweight	2,510 (12 Month)	2,230	1,859	+12.6%	+35.0%
05/04/2021	Buy	1,870 (12 Month)	1,375	2,077	+36.0%	-10.0%
16/07/2021	Buy	1,220 (12 Month)	850	1,432	+43.5%	-14.8%

Source: NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT

In IDR bn	2020/12A	2021/12E	2022/12E	2023/12E
Revenue	15,831	18,939	22,121	28,900
<i>Growth (% y/y)</i>	-35.8%	19.6%	16.8%	30.6%
Cost of Revenue	(13,658)	(16,144)	(19,036)	(24,432)
Gross Profit	2,173	2,795	3,086	4,467
<i>Gross Margin</i>	13.7%	14.8%	13.9%	15.5%
Operating Expenses	(1,257)	(1,430)	(1,629)	(2,202)
EBIT	916	1,365	1,457	2,266
<i>EBIT Margin</i>	5.8%	7.2%	6.6%	7.8%
Depreciation	580	608	690	796
EBITDA	1,496	1,972	2,146	3,062
<i>EBITDA Margin</i>	9.4%	10.4%	9.7%	10.6%
Interest Expenses	(7)	(6)	(8)	(8)
EBT	290	754	1,107	1,538
Income Tax	(23)	(59)	(86)	(44)
Minority Interest	(138)	(161)	(237)	(346)
Net Profit	129	417	784	1,148
<i>Growth (% y/y)</i>	-86.2%	223.9%	88.1%	46.4%
<i>Net Profit Margin</i>	0.8%	2.2%	3.5%	4.0%

PROFITABILITY & STABILITY

	2020/12A	2021/12E	2022/12E	2023/12E
ROE	0.9%	2.9%	5.2%	7.1%
ROA	0.2%	0.7%	1.2%	1.7%
Inventory Turnover	1.4x	1.7x	1.9x	2.4x
Receivables Turnover	3.3x	3.2x	3.2x	4.1x
Payables Turnover	0.8x	1.0x	1.0x	1.3x
Dividend Yield (%)	1.8%	0.0%	1.2%	2.2%
Payout Ratio (%)	163%	0%	11%	15%
DER	1.3x	1.6x	1.6x	1.6x
Net Gearing	75%	95%	100%	104%
Equity Ratio	26%	24%	24%	25%
Debt Ratio	35%	37%	38%	40%
Financial Leverage	350%	401%	418%	412%
Current Ratio	121%	121%	118%	118%
Quick Ratio	87%	90%	90%	90%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	6,200	6,200	6,200	6,200
Share Price (IDR)	1,865	1,220	1,220	1,220
Market Cap (IDR tn)	11.6	7.6	7.6	7.6

BALANCE SHEET

In IDR bn	2020/12A	2021/12E	2022/12E	2023/12E
Cash	8,012	9,098	9,269	9,593
Receivables	5,211	6,723	6,993	7,023
Inventories	9,525	9,936	9,882	10,199
Total Current Assets	33,925	39,615	40,797	42,225
Fixed Assets	12,597	14,397	16,361	18,455
Other Non Current Assets	6,951	7,086	7,618	7,895
Total Non Current Assets	19,548	21,483	23,979	26,351
Total Assets	53,472	61,098	64,776	68,576
Payables	15,526	18,187	18,637	18,861
ST Debt	8,442	10,496	11,617	12,535
Total Current Liabilities	27,987	32,823	34,514	35,776
LT Debt	10,114	12,401	13,277	14,566
Total Liabilities	39,465	46,513	49,217	51,743
Capital Stock + APIC	5,308	5,308	5,308	5,308
Retained Earnings	3,149	3,706	4,402	5,383
Shareholders' Equity	14,007	14,585	15,559	16,833

CASH FLOW STATEMENT

In IDR bn	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	(80)	605	1,033	1,185
Investing Cash Flow	(3,573)	(2,938)	(3,049)	(3,193)
Financing Cash Flow	2,067	3,208	2,186	2,332
Net Changes in Cash	(1,586)	875	170	325

VALUATION INDEX

	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	89.8x	18.1x	9.6x	6.6x
PE/EPS Growth	-1.0x	0.1x	0.1x	0.1x
Price /Book Value	0.8x	0.5x	0.5x	0.4x
EV/EBITDA	17.0x	12.6x	12.5x	9.4x
EV (IDR bn)	25,489	24,768	26,765	28,826
Revenue CAGR (3-Yr)	-9.7%	-9.0%	-3.6%	22.2%
Net Profit CAGR (3-Yr)	-55.4%	-34.8%	-5.5%	107.4%
Basic EPS (IDR)	21	67	127	185
BVPS (IDR)	2,259	2,352	2,510	2,715
DPS (IDR)	33.8	-	14.3	26.9

OWNERSHIP

Shareholders	%
Republic of Indonesia	51.0
Norges Bank	2.8
Vanguard Group Inc	1.3
Value Partners Ltd	1.3
Others	42.4
By Geography	%
Indonesia	85.8
United States	5.6
Norway	4.6
Hong Kong	2.1

Source: Company Data, NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. 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%

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