

Pembangunan Perumahan Tbk (PTPP)

Optimism Beyond Expectation

Company Report | Jan 23, 2018

Buy

Dec 2018 TP (IDR)	4,770
Consensus Price (IDR)	4,002
TP to Consensus Price	+19.2%
vs. Last Price	+61.1%

Shares data

Last Price (IDR)	2,960
Price date as of	Jan 19, 2018
52 wk range (Hi/Lo)	3,810 / 2,250
Free float (%)	48.9
Outstanding sh.(mn)	6,200
Market Cap (IDR bn)	18,104
Market Cap (USD mn)	1,356
Avg. Trd Vol - 3M (mn)	15.14
Avg. Trd Val - 3M (bn)	42.31
Foreign Ownership	20.6%

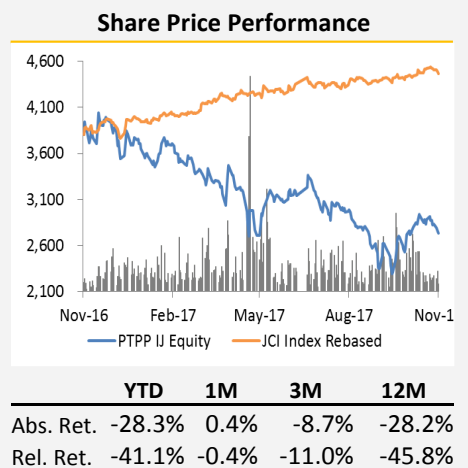
Property

Construction

Bloomberg	PTPP.IJ
Reuters	PTPP.JK

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Consistent and Stellar Growth in New Contracts

Compared to other State-Owned Enterprises (SOEs) construction, PTPP's **new contract growth figures of 20%-30% since 2015 turned into the most stable growth**. In 11M17, it succeeded to register new contracts amounting to IDR37.6 trillion, a short fall than the estimated new contract of IDR40 trillion. We project likely ramping up figures so that **it will likely register growth topping 23%**.

The consistent double-digit growth in new contract was attributable by **its diversified-based contracts** standing in contrast to ADHI and WIKA' giant projects-based contracts, namely light rail transit (LRT) and high speed railway (HSR). Meanwhile, toll roads-based contracts are WSKT's main focus.

Margin Booster From Property

The increment in revenue portion contributed by the property and investment division is a takeaways factor **for hedging risk looming from new construction contracts exposed to any impediment**. Additionally, its profitability will be more buoyant as **this division has the gross margin running closely to 40%-60%**, topping the construction and EPC division registering the gross margin settling at 10%-20%

Target Price of IDR4,770

We use an estimate of forward P/E of 11.3 (1SD lower than the last 5 years average of 17.3x) as our basis of valuation method for obtaining the target price of December 2018. The target price implies a 2018E P/E of 13.8x. Now, PTPP is traded at a 2017/E P/E of 8.6x.

Pembangunan Perumahan, Tbk | Summary (IDR bn)

	2016/12A	2017/12E	2018/12E	2019/12E
Revenue	16,459	20,401	24,477	29,452
<i>Revenue growth</i>	15.8%	23.9%	20.0%	20.3%
EBITDA	2,002	3,053	5,083	6,906
Net profit	1,023	1,251	1,598	1,937
EPS (IDR)	165	202	258	258
<i>EPS growth</i>	38.3%	22.2%	27.8%	21.2%
BVPS (IDR)	1,741	2,064	2,430	2,841
EBITDA margin	12.2%	15.0%	20.8%	23.4%
Net Profit Margin	6.2%	6.1%	6.5%	6.6%
ROE	12.8%	10.6%	11.5%	11.9%
ROA	4.1%	3.6%	3.9%	4.2%
ROIC	10.3%	8.6%	9.5%	9.9%
P/E	23.1x	13.6x	10.7x	10.7x
P/BV	2.2x	1.3x	1.1x	1.0x
EV/EBITDA	10.4x	5.6x	3.8x	3.0x
DPS (IDR)	50	61	77	94
<i>Dividend yield</i>	1.3%	2.2%	2.8%	3.4%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Buoyant Property Portion

PTPP succeeded to ramp up **the revenue contributed by the property and investment division from 5% in 2014 into 13% in 2017**. We project that the buoyant revenue portion was propped up by its subsidiary in property sector, PPRO, marking aggressive performance.

Another to its aggressive subsidiary's performance, its successful cooperation with PT Kereta Api Indonesia **in developing transit oriented-development (TOD) based vertical residences** in major stations in Jakarta is also a potent driver for the buoyant property portion.

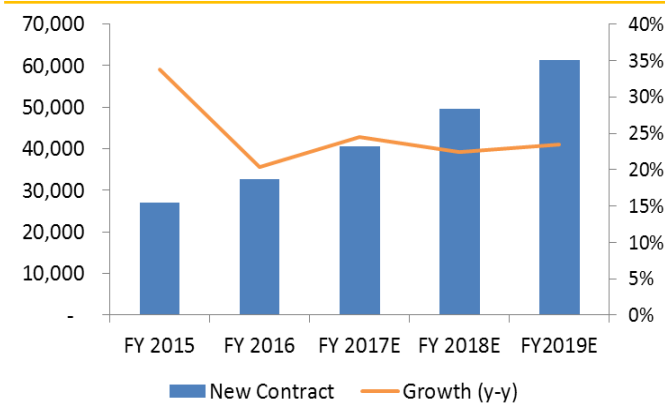
PTPP's Stellar Target

PTPP has set a 2018 stellar revenue target hitting IDR28 trillion, topping our prior target projection. **This 2018 revenue target trillion** is higher than revenue target amounting to IDR24.5 trillion we initially estimated. Meanwhile, **the net profit targeted amounts to IDR2.1 trillion** (vs the net profit amounting to IDR1.6 trillion we project).

The confidence in a stellar target achievement is justified by the par excellence 2017 performance **achieving net profit of IDR1.7 trillion, growing by 66.1% y-y** than was 2016 net profit growth of IDR1.0 trillion. 2017 net profit growth was higher than the net profit amounting to IDR1.3 trillion we initially estimated and topped the average growth of 35% achieved since 2013.

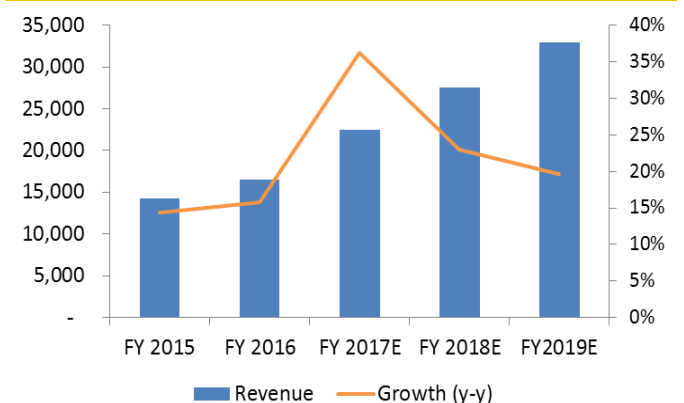
Performance Highlights

New Contract (IDR bn) | FY 2015 - FY 2019E



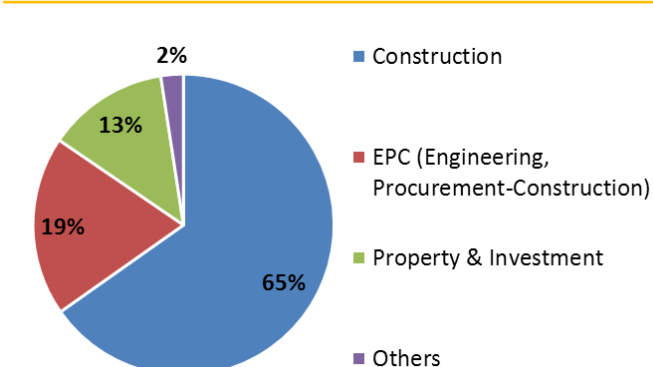
Source: Company, NHKS Research

Revenue (IDR bn) | FY 2015 - FY 2019E



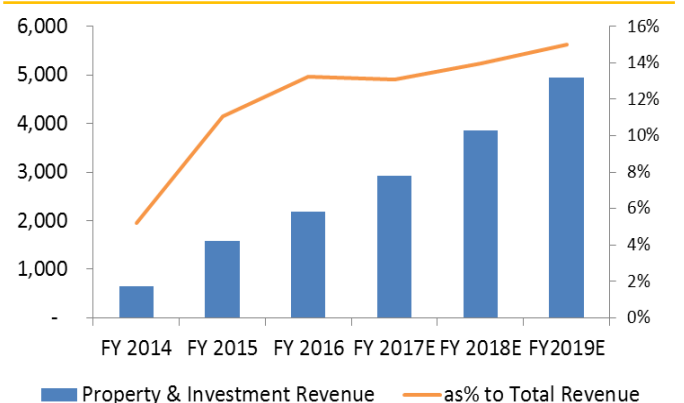
Source: Company, NHKS Research

Revenue Breakdown | FY 2017E



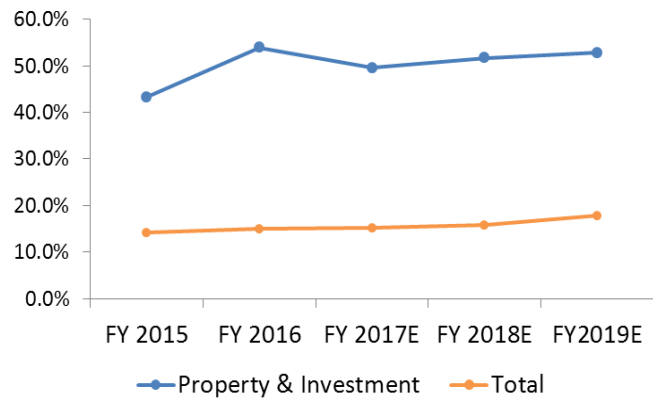
Source: Company, NHKS Research

Property & Investment Revenue (IDR bn) | FY 2014 - FY 2019E



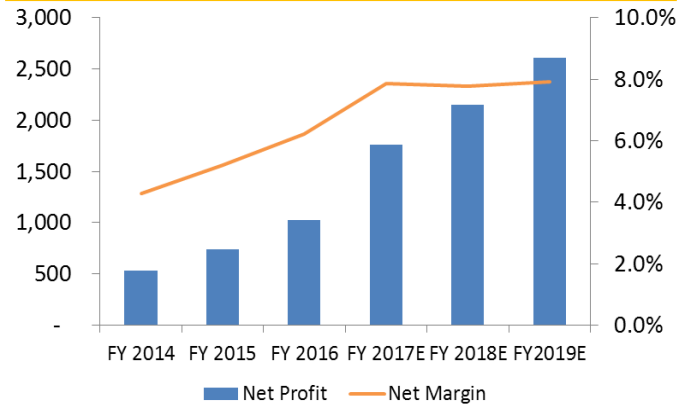
Source: Company, NHKS Research

Gross Margin | FY 2015 - FY 2019E



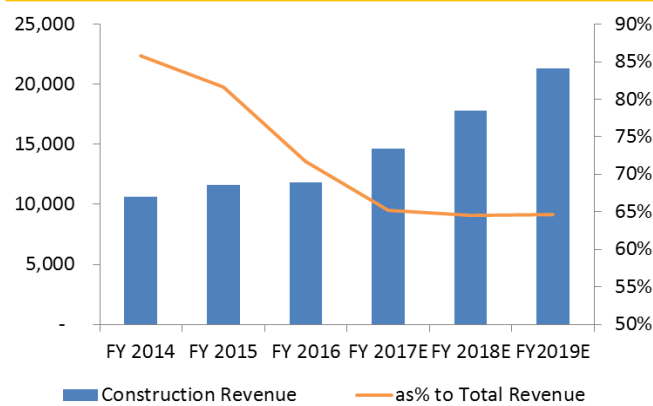
Source: Company, NHKS Research

Net Profit (IDR bn) | FY 2014 - FY 2019E



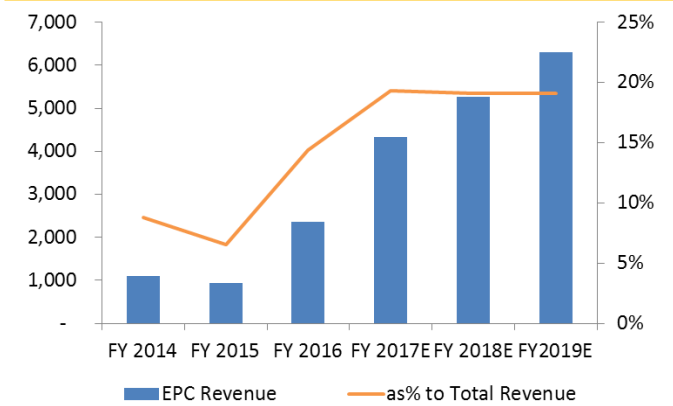
Source: Company, NHKS Research

Construction Revenue (IDR bn) | FY 2014 - FY 2019E



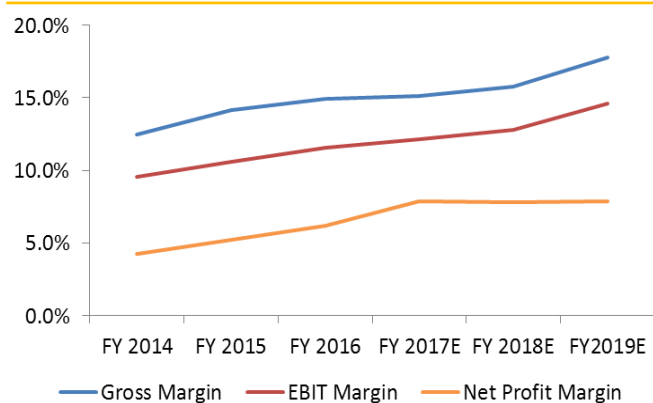
Source: Company, NHKS Research

EPC Revenue (IDR bn) | FY 2014 - FY 2019E



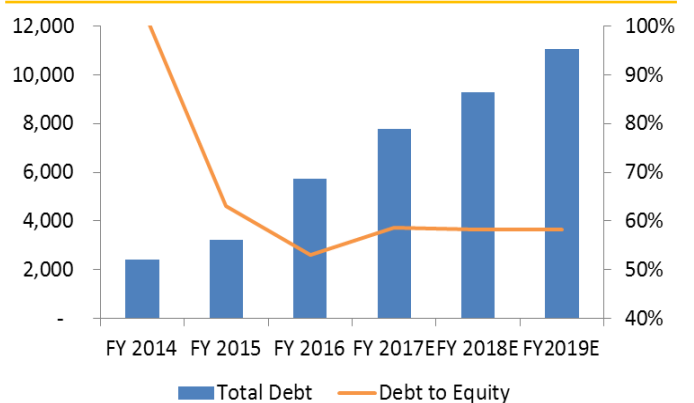
Source: Company, NHKS Research

Margin Ratios | FY 2014 - FY 2019E



Source: Company, NHKS Research

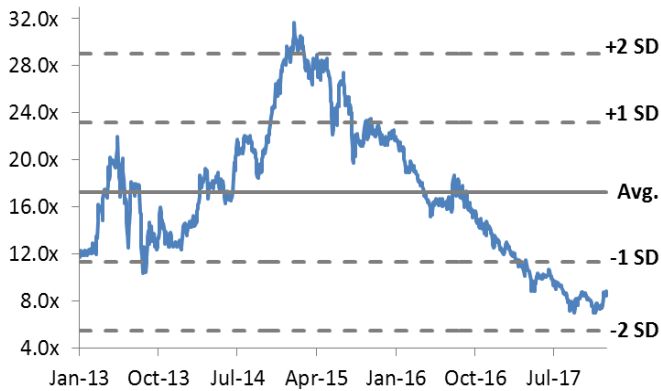
Total Debt (IDR bn) | FY 2014 - FY 2019E



Source: Company, NHKS Research

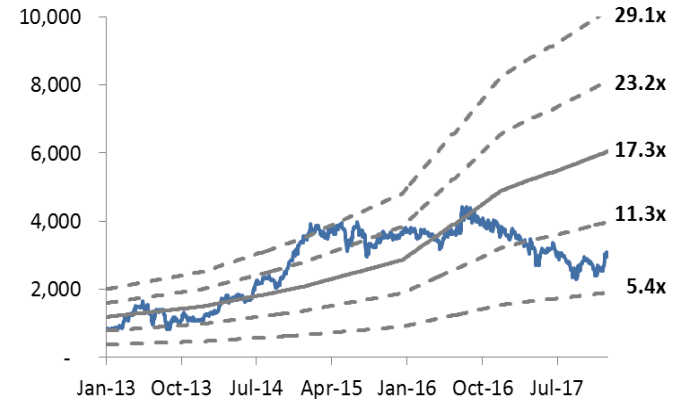
Multiple Valuation

Forward P/E band | Last 5 years



Source: NHKS research

Dynamic Forward P/E band | Last 5 years



Source: NHKS research

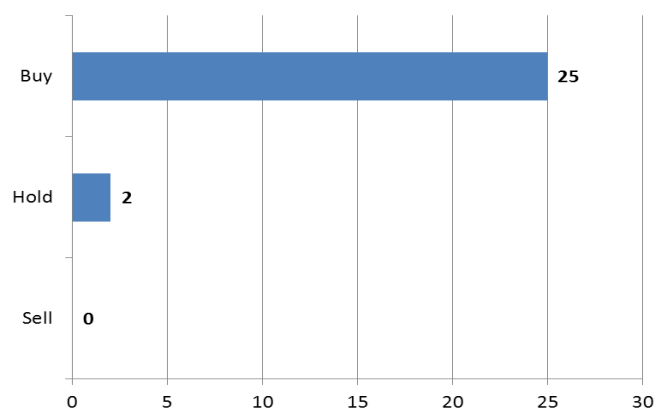
Rating and target price update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
04/13/2017	Buy	4,960 (Dec 2017)	3,380	4,846	+46.7%	+2.4%
09/01/2017	Buy	4,060 (Dec 2018)	2,770	4,374	+46.6%	-7.2%
11/15/2017	Buy	4,770 (Dec 2018)	2,750	4,131	+73.5%	+15.5%
1/23/2018	Buy	4,770 (Dec 2018)	2,960	4,002	+61.1%	+19.2%

Source: NHKS research, Bloomberg

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Summary of Financials

PTPP Summary		
Last Price (IDR)	January 19, 2018	2,960
Target Price (IDR)	Dec 2018	4,770
Analyst: Raphon Prima	Rating:	Buy

INCOME STATEMENT

In IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Revenue	16,459	22,423	27,565	32,967
Growth (% y/y)	15.8%	36.2%	22.9%	19.6%
Cost of Revenue	(14,003)	(19,036)	(23,220)	(27,114)
Gross Profit	2,456	3,387	4,345	5,853
Gross Margin	14.9%	15.1%	15.8%	17.8%
Operating Expenses	(556)	(662)	(823)	(1,039)
EBIT	1,899	2,725	3,521	4,814
EBIT Margin	11.5%	12.2%	12.8%	14.6%
Depreciation	103	329	1,068	1,062
EBITDA	2,002	3,054	4,589	5,876
EBITDA Margin	12.2%	13.6%	16.6%	17.8%
Interest Expenses	(409)	(342)	(467)	(929)
EBT	1,704	2,747	3,457	4,279
Income Tax	(552)	(771)	(1,046)	(1,338)
Minority Interest	(128)	(215)	(265)	(334)
Net Profit	1,023	1,761	2,146	2,607
Growth (% y/y)	38.3%	72.1%	21.9%	21.5%
Net Profit Margin	6.2%	7.9%	7.8%	7.9%

BALANCE SHEET

In IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Cash	9,424	8,882	8,134	6,723
Receivables	4,776	6,870	6,739	8,498
Inventories	2,656	4,357	4,194	6,071
Total Current Assets	24,344	27,519	28,812	29,697
Net Fixed Assets	5,527	11,035	15,815	21,746
Other Non Current Assets	1,362	1,679	1,521	1,263
Total Assets	31,233	40,233	46,147	52,706
Payables	10,237	12,994	15,344	17,717
ST Debt	2,635	3,649	4,315	5,312
Other Current Liab.	3,006	3,974	3,490	3,127
LT Debt	3,083	4,144	4,974	5,754
Other Non Current Liab.	1,475	2,168	2,054	1,774
Total Liabilities	20,437	26,930	30,178	33,684
Shareholders' Equity	10,796	13,304	15,970	19,023

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Net Income	1,023	1,761	2,146	2,607
Deprec & Amortization	103	329	1,068	1,062
Chg. In Working Capital	(81)	2,066	(175)	(286)
CFO	1,045	4,155	3,039	3,383
Capex	(1,052)	(4,879)	(5,848)	(6,994)
CFI	(1,867)	(5,500)	(5,804)	(7,015)
Dividends Paid	(177)	(377)	(528)	(644)
Net Borrowing (PMT)	3,073	602	1,497	1,776
CFF	6,939	804	2,017	2,221
Net Changes in Cash	6,117	(541)	(748)	(1,411)

OWNERSHIP

By Geography	% Shareholders	%	
Indonesia	79.4	Republic of Indonesia	51.0
United States	5.8	Norges Bank	2.9
Norway	4.4	Vanguard Group	1.3
Luxembourg	3.0	Dimensional Fund	1.2

PROFITABILITY & STABILITY

	2016/12A	2017/12E	2018/12E	2019/12E
ROE	12.8%	14.6%	14.7%	14.9%
ROA	4.1%	4.9%	5.0%	5.3%
ROIC	10.3%	10.4%	10.6%	12.0%
EBITDA/Equity	25.1%	25.3%	31.4%	33.6%
EBITDA/Assets	7.9%	8.5%	10.6%	11.9%
Cash Dividend (IDR bn)	307	528	644	782
Dividend Yield (%)	1.3%	2.9%	3.5%	4.3%
Payout Ratio (%)	30%	30%	30%	30%
DER	53%	59%	58%	58%
Net Gearing	161%	156%	140%	129%
LT Debt to Equity	29%	31%	31%	30%
Capitalization Ratio	35%	37%	37%	37%
Equity Ratio	35%	33%	35%	36%
Debt Ratio	18%	19%	20%	21%
Financial Leverage	316%	297%	295%	283%
Current Ratio	153%	133%	124%	114%
Quick Ratio	89%	76%	64%	58%
Cash Ratio	59%	43%	35%	26%
Cash Conversion Cycle	(76.9)	(60.7)	(65.4)	(69.1)
Par Value (IDR)	100	100	100	100
Total Shares (mn)	6,200	6,200	6,200	6,200
Share Price (IDR)	3,810	2,960	2,960	2,960
Market Cap (IDR tn)	23.6	18.4	18.4	18.4

VALUATION INDEX

	2016/12A	2017/12E	2018/12E	2019/12E
Price /Earnings	23.1x	10.4x	8.6x	8.6x
Price /Book Value	2.2x	1.4x	1.1x	1.0x
Price/Revenue	1.4x	0.8x	0.7x	0.6x
PE/EPS Growth	0.6x	0.1x	0.4x	0.4x
EV/EBITDA	10.4x	6.3x	4.9x	4.6x
EV/EBIT	11.0x	7.1x	6.4x	5.6x
EV (IDR bn)	20,916	19,338	22,659	26,922
Revenue CAGR (3-Yr)	12.2%	21.7%	24.7%	26.1%
EPS CAGR (3-Yr)	34.5%	48.9%	42.6%	36.6%
Basic EPS (IDR)	165	284	346	346
Diluted EPS (IDR)	207	284	346	346
BVPS (IDR)	1,741	2,146	2,576	3,068
Revenue PS (IDR)	2,655	3,617	4,446	5,317
DPS (IDR)	50	85	104	126

DCF, RIM & EVA

	2016/12A	2017/12E	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	1,284	1,960	2,456	3,309
+Depr./Amor.	103	329	1,068	1,062
-CAPEX	(1,052)	(4,879)	(5,848)	(6,994)
-Incr. (Decr.) in Working Cap.	(81)	2,066	(175)	(286)
(Unlevered) FCFF	253	(525)	(2,499)	(2,909)
WACC				
Cost of Debt (Tax Adj.)	7.0%	5.6%	6.0%	6.4%
Cost of Equity (COE)	9.5%	12.5%	13.1%	13.6%
WACC (%)	9.0%	10.4%	10.7%	10.9%
RIM				
Spread (FROE-COE) (%)	10.4%	3.8%	3.0%	2.8%
Residual Income (IDR bn)	534	411	401	443
Equity Charge (IDR bn)	489	1,350	1,745	2,164
EVA				
Invested Capital (IDR bn)	8,388	16,515	21,097	25,260
ROIC-WACC (%)	6.3%	1.4%	0.9%	2.2%
EVA (IDR bn)	527	235	190	566

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