

Pembangunan Perumahan Tbk (PTPP)

FY20 Performance Below Estimates

Company Update | April 05, 2021

BUY

Target Price (IDR)	1,870
Consensus Price (IDR)	2,077
TP to Consensus Price	-10.0%
vs. Last Price	+36.0%

Shares data

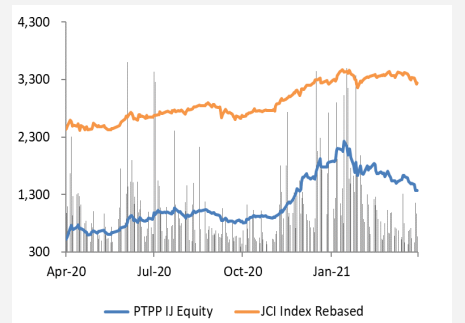
Last Price (IDR)	1,375
Price Date as of	April 01, 2021
52 wk Range (Hi/Lo)	2,360/580
Free Float (%)	49.0
Outstanding sh. (mn)	6,200
Market Cap. (IDR bn)	8,525
Market Cap. (USD mn)	585
Avg. Trd Vol - 3M (mn)	76.51
Avg. Trd Val - 3M (bn)	140.69
Foreign Ownership	14.2%

Property

Construction

Bloomberg	PTPP IJ
Reuters	PTPP.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-27.1%	-19.4%	-27.1%	167.0%
Rel. Ret.	-25.5%	-14.2%	-25.5%	132.4%

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PTPP had a declining performance in FY20. Revenue and profit fell 36% YoY and 86% YoY. Meanwhile, PTPP managed to acquire new contracts worth IDR22.26 trillion or 87% of its target. This year, PTPP will focus on gaining new contracts from the infrastructure segment which projected to grow 107.25% YoY. We estimate this year's contract achievement to increase by 26.7% YoY.

FY20 Performance Declines

- PTPP booked FY20 income of IDR15.8 trillion or down by 36% YoY (vs IDR24.6 trillion FY19). Income from the construction, EPC, and Property & Realty segments which are the 3 largest contributors, each fell by 33%, 68%, and 18% YoY respectively.
- This year, PTPP will focus on implementing strategies; marketing on projects with clear sources of funding, expanding market segmentation, and maximizing project works obtained in the past year. Thus, we project revenue from the top three segments will grow in the range of 15%-28% YoY this year.
- PTPP 4Q20 profit fell 73.5% YoY to IDR102 billion. Meanwhile, FY20 profit was also down by 86% YoY to IDR129 billion, or 48.4% lower than our estimates.

GPM Income in 4Q20 Jumps

- PTPP recorded all-time high GPM in 4Q20 at 17.9% or higher than 3Q20 (13.1%) and 4Q19 (15.6%).
- GPM of the construction segment jumped to 15% (vs 12% 3Q20), while EPC segment was stable at 24%. Meanwhile, GPM of the property & realty segment fell to 33% (vs 48% 3Q20).

Focuses on Increasing New Infrastructure Contracts

- Throughout FY20 PTPP acquired new contracts worth IDR22.26 trillion, reaching 87% of the target.
- New contracts in FY20 was dominated by building, infrastructure, and industrial projects with a share of 33%, 30%, and 22% of the new contracts.
- This year, PTPP will focus on finding new infrastructure projects which are targeted to increase 107.25% YoY.
- We see that with the number of delayed projects in 2020, PTPP will be able to boost the acquisition of new contracts, including infrastructure projects this year. We estimate new contracts in 2021 to reach IDR28.21 trillion (+26.7% YoY).

Buy Rating with TP of Rp1,870

- The government has just issued a relaxation policy for the final income tax rates for construction services which was cut from 3% to 2.65%. We think that this policy will have an impact on the increase in profit margins and cash flow improvement.
- We have revised down PTPP's FY21 profit estimate to IDR497 billion (-22.6% from previous estimate). Seeing that PTPP will divest 5 of its large assets in 2022. However, the estimated profit in FY21 increase significantly by 286% YoY.
- We recommend BUY with a lower TP at IDR1,870 based on a forward P/E of 23.3x (+0.1 SD average for the last 3 years). Our TP represents a potential upside of 36% from last price.

Pembangunan Perumahan (PP) Tbk | Summary

	2019A	2020A	2021F	2022F
Revenue	24,660	15,831	20,127	23,171
Growth	-1.8%	-35.8%	27.1%	15.1%
Net Profit	930	129	497	778
Growth	-38.1%	-86.2%	286.4%	56.4%
EPS (IDR)	150	21	80	125
P/E	10.6x	89.8x	23.3x	14.9x
P/BV	10.6x	0.8x	0.8x	0.7x
EV/EBITDA	8.2x	17.0x	14.5x	13.0x
ROE	5.8%	0.9%	3.5%	5.1%
DER	105%	132%	138%	145%
Dividend Yield	3.1%	1.8%	0.2%	1.0%

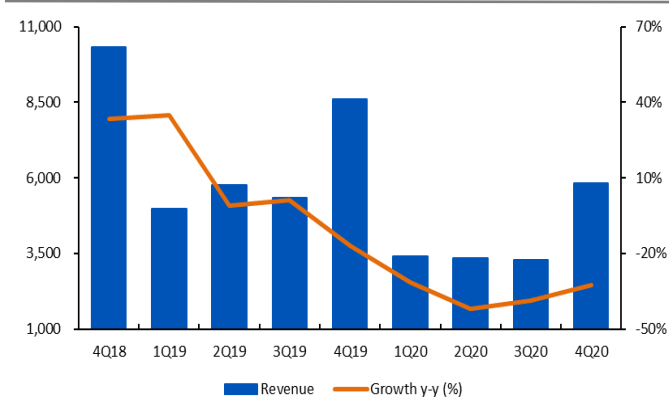
Unit: IDR bn, % x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

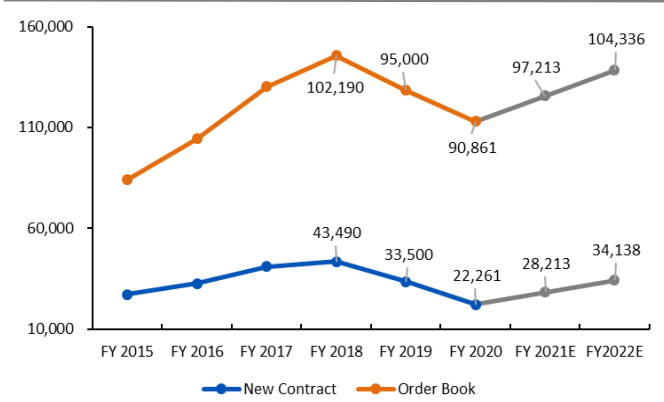
Performance Highlights in Charts

PTPP Quarterly Revenue (IDR bn) | 4Q18 - 4Q20



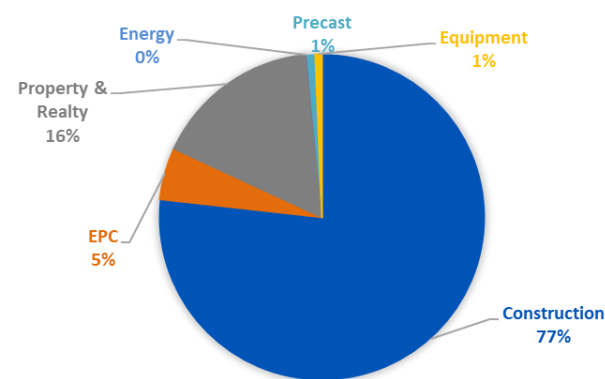
Source: Company Data, NHKSI Research

PTPP Order Book & New Contract



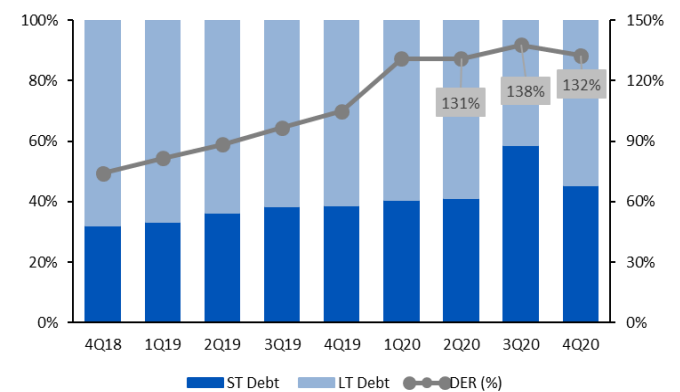
Source: Company Data, NHKSI Research

4Q20's Revenue Breakdown



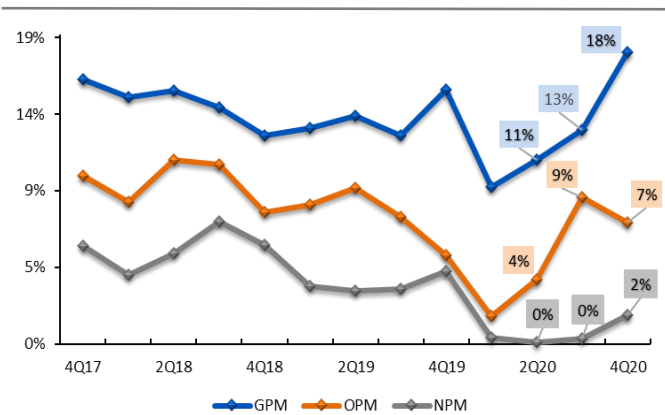
Source: Company Data, NHKSI Research

Debt Portion



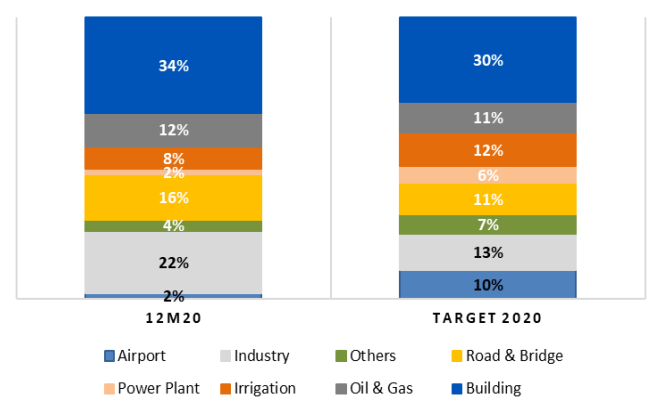
Source: Company Data, NHKSI Research

Margin Ratios



Source: Company Data, NHKSI Research

New Project based on Type of Project | 12M20 & 2020 Target



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

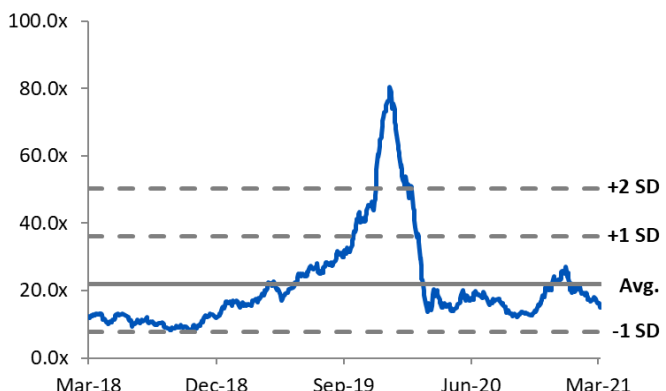
	Market Cap (USD mn)	Asset (USD mn)	Net Profit Growth (LTM)	Net Profit Margin	DER	ROE (LTM)	P/E	P/BV
Indonesia								
PT PP PERSERO TBK	416	3,840	-86%	0.8%	132%	0.9%	23.3x	0.8x
PT WASKITA KARYA PERSERO TBK	1,052	8,853	-	3.0%	238%	-18.1%	-	1.1x
PT WIJAYA KARYA PERSERO TBK	944	4,891	-92%	1.1%	158%	1.1%	74.1x	0.8x
PT ADHI KARYA PERSERO TBK	274	2,637	-50%	4.3%	154%	5.4%	12.2x	0.7x
Thailand								
CH. KARNCHANG PUBLIC CO LTD	969	2,760	-65.6%	3.7%	161.9%	2.3%	50.6x	1.1x
SINO THAI ENGR & CONSTR PCL	780	1,468	-26.3%	3.0%	16.8%	7.6%	22.3x	1.7x
UNIQUE ENGINEERING & CON PCL	226	1,119	-69.8%	2.0%	190.8%	2.7%	32.1x	0.9x
Philippines								
MEGAWIDE CONSTRUCTION CORP	263	1,593	-	4.3%	265.3%	-6.5%	-	1.0x
EEI CORPORATION	155	553	-	4.9%	107.9%	-6.8%	6.5x	1.0x
HOUSE OF INVESTMENTS	58	1,026	-	2.9%	62.2%	-1.1%	-	0.2x
Vietnam								
FLC FAROS CONSTRUCTION JSC	111	454	-99.4%	0.0%	11.0%	0.0%	4300.7x	0.4x
HO CHI MINH CITY INFRASTRUCT	269	1,279	97.5%	4.7%	213.0%	5.1%	25.2x	1.3x
HOA BINH CONSTRUCTION GROUP	181	670	-82.1%	0.7%	125.5%	2.1%	56.1x	1.2x
Malaysia								
GAMUDA BHD	2,206	4,370	-64.0%	10.1%	68.6%	3.6%	35.8x	1.1x
IJM CORP BHD	1,500	5,435	-24.6%	3.8%	59.6%	3.3%	19.7x	0.6x
SUNWAY CONSTRUCTION GROUP BHD	569	474	-43.7%	4.7%	48.0%	11.6%	32.4x	3.7x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

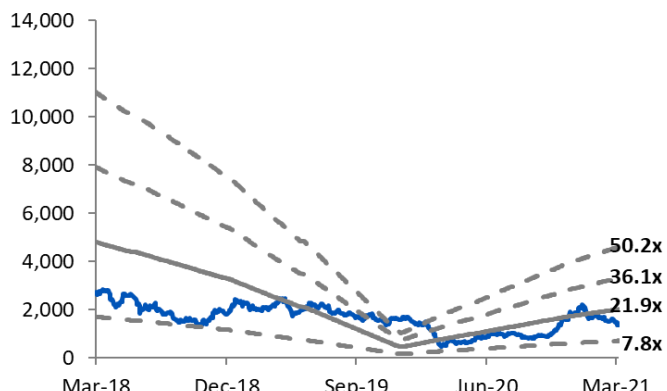
Valuation Highlights in Charts

3-Years Forward P/E Band



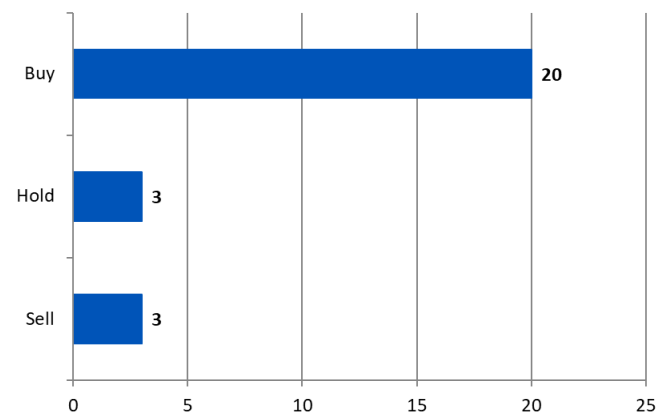
Source: Bloomberg, NHKSI Research

3-Years Dynamic Forward P/E band



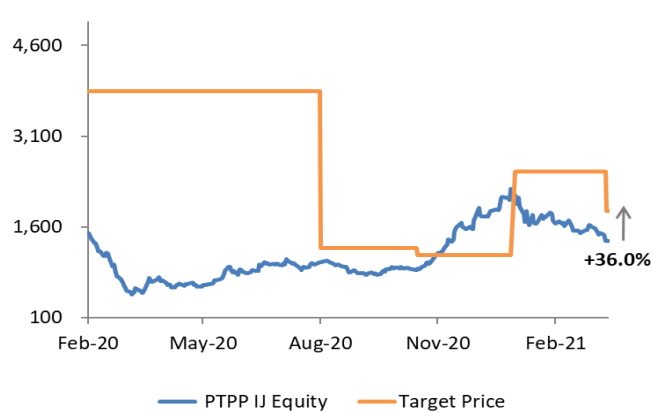
Source: Bloomberg, NHKSI Research

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	vs Last Price	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%

Source: NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT

In IDR bn	2019/12A	2020/12A	2021/12E	2022/12E
Revenue	24,660	15,831	20,127	23,171
Growth (% y/y)	-1.8%	-35.8%	27.1%	15.1%
Cost of Revenue	(21,175)	(13,658)	(17,205)	(19,844)
Gross Profit	3,485	2,173	2,922	3,327
Gross Margin	14.1%	13.7%	14.5%	14.4%
Operating Expenses	(1,628)	(1,257)	(1,568)	(1,725)
EBIT	1,857	916	1,354	1,602
EBIT Margin	7.5%	5.8%	6.7%	6.9%
Depreciation	560	580	554	718
EBITDA	2,418	1,496	1,908	2,320
EBITDA Margin	9.8%	9.4%	9.5%	10.0%
Interest Expenses	(4)	(7)	(5)	(6)
EBT	1,240	290	767	1,239
Income Tax	(31)	(23)	(59)	(96)
Minority Interest	(278)	(138)	(210)	(365)
Net Profit	930	129	497	778
Growth (% y/y)	-38.1%	-86.2%	286.4%	56.4%
Net Profit Margin	3.8%	0.8%	2.5%	3.4%

PROFITABILITY & STABILITY

	2019/12A	2020/12A	2021/12E	2022/12E
ROE	5.8%	0.9%	3.5%	5.1%
ROA	1.7%	0.2%	0.9%	1.3%
Inventory Turnover	3.0x	1.4x	1.7x	1.9x
Receivables Turnover	3.3x	3.3x	3.6x	3.5x
Payables Turnover	1.1x	0.8x	1.1x	1.2x
Dividend Yield (%)	3.1%	1.8%	0.2%	1.0%
Payout Ratio (%)	32%	163%	6%	14%
DER	1.0x	1.3x	1.4x	1.5x
Net Gearing	42%	75%	84%	95%
Equity Ratio	28%	26%	26%	26%
Debt Ratio	29%	35%	36%	37%
Financial Leverage	341%	371%	384%	387%
Current Ratio	132%	121%	123%	125%
Quick Ratio	99%	87%	87%	88%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	6,200	6,200	6,200	6,200
Share Price (IDR)	1,585	1,865	1,870	1,870
Market Cap (IDR tn)	9.8	11.6	11.6	11.6

BALANCE SHEET

In IDR bn	2019/12A	2020/12A	2021/12E	2022/12E
Cash	9,712	8,012	7,919	7,847
Receivables	4,445	5,211	5,836	7,589
Inventories	9,566	9,525	10,272	10,388
Total Current Assets	38,568	33,925	34,829	35,669
Fixed Assets	12,689	12,597	15,019	17,563
Other Non Current Assets	4,933	6,951	7,130	7,556
Total Non Current Assets	17,622	19,548	22,148	25,120
Total Assets	56,190	53,472	56,977	60,789
Payables	18,100	15,526	15,969	16,009
ST Debt	6,325	8,442	7,898	7,745
Total Current Liabilities	29,288	27,987	28,308	28,617
LT Debt	9,980	10,114	12,461	15,035
Total Liabilities	40,638	39,465	42,224	45,079
Capital Stock + APIC	5,330	5,308	5,308	5,308
Retained Earnings	4,653	3,149	3,618	4,284
Shareholders' Equity	15,552	14,007	14,753	15,710

CASH FLOW STATEMENT

In IDR bn	2019/12A	2020/12A	2021/12E	2022/12E
Operating Cash Flow	564	(80)	962	1,046
Investing Cash Flow	(3,289)	(3,573)	(3,108)	(3,718)
Financing Cash Flow	3,195	2,067	2,052	2,601
Net Changes in Cash	470	(1,586)	(93)	(72)

VALUATION INDEX

	2019/12A	2020/12A	2021/12E	2022/12E
Price /Earnings	10.6x	89.8x	23.3x	14.9x
PE/EPS Growth	-0.3x	-1.0x	0.1x	0.3x
Price /Book Value	0.6x	0.8x	0.8x	0.7x
EV/EBITDA	8.2x	17.0x	14.5x	13.0x
EV (IDR bn)	19,789	25,489	27,586	30,256
Revenue CAGR (3-Yr)	14.4%	-9.7%	-7.1%	-2.1%
Net Profit CAGR (3-Yr)	-3.0%	-55.4%	-30.8%	-5.8%
Basic EPS (IDR)	150	21	80	125
BVPS (IDR)	2,508	2,259	2,380	2,534
DPS (IDR)	48.5	33.8	4.7	18.1

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	5.1
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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