

We recently attended due diligence meeting and public expose on PP Presisi Initial Public Offering. Generally, PP Presisi has five types of business in its portfolio, namely civil work, foundation, ready mix, form work, and equipment rental. In 7M17, civil work contributed the highest portion of 48.9% to total revenue, followed by ready mix at 25.8%. Civil work and ready mix gross margins stood at 24% and 18% respectively. After acquiring 51% stake in Lancarjaya Mandiri Abadi (LMA) at about IDR 798bn, PP Presisi's total fixed assets jumped significantly to IDR 1.57tn as of July 2017 (vs. IDR 599bn in FY16). LMA itself has three specialties of civil work, specifically earth moving, cut and fill, as well as heavy equipment rental providers. Pertaining to order book, PP Presisi has obtained IDR 7.4tn order book in 7M17 (included LMA's order book), consisting of IDR 2.5tn new contracts and IDR 4.9tn carry over. The 7M order book has achieved 68.8% of FY17 target. Moving forward, the management is expected to reduce its dependency on internal sales at only 60% while increasing external sales going forward.

Speaking of financial performance, PP Presisi has recorded revenue of IDR 441bn and IDR 38bn net income in 7M17, increased by 154% yoy and 138% yoy respectively, while net margin was maintained at level of 9%. Furthermore, PP Presisi's gross and net gearing as of July 2017 stood at 0.93x and 0.72x respectively (vs. 2.93x and 1.93x respectively in FY16), still below its maximum requirement of 1.5x.

The offering structure of IPO PP Presisi is up to 4.239.330.000 shares (up to 35% enlarged capital) with a price range of IDR 430-IDR 550 per share. Assuming the company issues the maximum 35% of shares to public and according to our assumptions below, forward P/E FY18F would stand at a range of 13.9x-17.7x.

Assumptions	FY16A	FY17E	FY18F
Burn Rate	20,0%	10,0%	20,0%
Order Book (IDR mn)	5.898.000	10.700.000	13.910.000
% growth		81,42%	30,00%
Net Margin	11,0%	12,5%	13,5%

Source: Company Data, SinarMas Investment Research

Indicative Timetable	
Public Expose	23-Oct-17
Bookbuilding Period	23 - 31 Oct-17
Final Pricing	31-Oct-17
Effective Statement	09-Nov-17
Offering Period	13 - 14 Nov-17
Allotment Date	16-Nov-17
Distribution & Refund	17-Nov-17
Listing	20-Nov-17

Source: Company Data, SinarMas Investment Research

Our view: PTPP as a parent company is currently trades at 10.5x forward P/E FY18F. Meanwhile, looking at PP Presisi's forward P/E FY18F which probably stands at 13.9x-17.7x, it is offered at 32%-69% premium compare to its parent company.

Henny Indrawati

Equity Analyst

+62 21 392 5550 ext. 610

henny.indrawati@sinarmassekuritas.co.id

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