

# PT Pembangunan Perumahan Tbk

## 3Q20 Result: Solid Margin Improvement



BUY (TP: IDR 1,125)

09 November 2020

**3Q20 results: in-line with our expectation.** In 3Q20, PTPP revenue declined to IDR 3.3tn (-1.9% QoQ/-38.7% YoY) mainly driven by delayed projects (~24% of total projects) due to prolonged PSBB. Despite lower revenue, GPM rose to 13.1% (+180 bps QoQ/+30 bps YoY) boosted by margin improvement from construction segment to 11.8% (+390 bps QoQ/+680 bps YoY). OPM rose to 9.0% (+200 bps QoQ/+40 bps YoY) as company continued to reduce its employee expenses due to delayed projects. In all, NPATMI improved to IDR 10.4bn (+297.1% QoQ/-94.2% YoY) and achieved 65.9%/11.1% of ours/consensus estimates.

**Sharp margin recovery.** In 3Q20 PTPP's GPM was recorded better-than-expected, as company continued to cut its subcontractor cost as well as wages expenses by ~49% YoY. As a result, company's COGS declined by 38.3% YoY. We believe company will maintain its cost efficiency initiatives until end of FY20E due to maximum workers restrictions regulations will be prolonged until vaccine for Covid-19 arrives.

**New contract still on track.** In 9M20, PTPP new contracts were booked at IDR 11.8tn (-48.7% YoY) achieving 50.1%/51.8% of company/ours estimates. We maintain our new contract estimates for PTPP, as we mentioned in Nov-20 PUPR budget for infrastructure and building remained at IDR 26.7tn (35.5% from budget). Thus, we believe PUPR will accelerate their tender progress and disburse it in the remaining FY20E.

**Fine turning our estimates.** Due to soft 9M20 performance, we revise down our FY20E/FY21F revenue estimates by -2.8%/-12.4% and NPATMI by +7.7%/-23.3% as we believe company will shift their focuses to projects that came from public sectors (70% of OB) that can deliver on-time payment in order to minimize the AR impairment instead from private sectors. On the other hand, bottom-line will remained under pressured from its finance cost. Nonetheless, we believe PTPP can show a check-marked recovery in FY21F, driven by company's capabilities to ramp up the projects and many strategic projects in the pipeline.

**We maintain our BUY rating on PT Pembangunan Perumahan Tbk (PTPP) with lower target price of IDR 1,125.** Our TP represents 17.8% potential upside, implying 9.4x FY21F P/E (+2 SD from its 3-years avg PE). We believe PTPP should outperform its peers, supported by its strategic projects in the pipeline and healthy balance sheet. Currently, PTPP is traded at 7.8x FY21F PE (+1.8 SD from its 3-years avg PE). Downside risk to our call are lower-than-expected NC and burn rate.

Highlights (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	25,120	24,660	15,891	23,004	26,904
% growth	16.8%	-1.8%	-35.6%	44.8%	17.0%
Gross Profit	3,472	3,485	1,821	2,745	3,683
Net Profit	1,502	930	43	690	1,176
% growth	3.4%	-38.1%	-95.4%	1502.9%	70.3%
Gross Margin (%)	13.8%	14.1%	11.5%	11.9%	13.7%
Net Margin (%)	6.0%	3.8%	0.3%	3.0%	4.4%
Return on Equity (%)	11.8%	6.9%	0.3%	4.9%	7.9%
Return on Assets (%)	2.9%	1.6%	0.1%	1.2%	1.8%
EPS (IDR)	242	150	7	111	190

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### Stock Information

Sector	Construction
Bloomberg Ticker	PTPP IJ
Market Cap. (IDR tn)	5.8
Share Out./Float (mn)	6,199/3,027
Current Price	955
FY21F Target Price	1,125
Upside	17.8%

### Share Price Performance

52W High (1/6/2020)	1,750
52W Low (3/24/2020)	484
52W Beta	2.2
YTD Change	-40.4%

### Relative Valuations

Trailing P/E	14.2x
Forward P/E	9.4x
P/BV	0.5x

**PTPP 3Q20 Earnings Summary**

<b>IDR Bn</b>	<b>3Q19</b>	<b>2Q20</b>	<b>3Q20</b>	<b>%QoQ</b>	<b>%YoY</b>	<b>9M19</b>	<b>9M20</b>	<b>%YoY</b>	<b>%DH</b>	<b>%Cons</b>
Revenues	5,339	3,336	3,274	-1.9%	-38.7%	16,063	10,020	-37.6%	61.3%	56.7%
Gross Profit	682	377	430	13.9%	-37.0%	2,145	1,135	-47.1%		
Operating Margin	454	233	296	26.9%	-34.7%	1,445	692	-52.1%		
NPATMI	181	3	10	297.1%	-94.2%	544	26	-95.2%	65.9%	11.1%
Gross Profit Margin	12.8%	11.3%	13.1%			13.4%	11.3%			
Operating Margin	8.5%	7.0%	9.0%			9.0%	6.9%			
Net Profit Margin	3.4%	0.1%	0.3%			3.4%	0.3%			

Source: Company Data, Sinarmas Investment Research

**Earnings Changes**

<b>(IDR Bn)</b>	<b>Previous</b>		<b>New</b>		<b>%Change</b>	
	<b>2020E</b>	<b>2021F</b>	<b>2020E</b>	<b>2021F</b>	<b>2020E</b>	<b>2021F</b>
Revenue	16,345	26,258	15,891	23,004	-2.8%	-12.4%
Gross Profit	1,793	3,375	1,821	2,745	1.5%	-18.7%
EBIT	1,255	2,354	1,351	2,072	7.6%	-12.0%
EBITDA	1,817	3,076	1,912	2,796	5.3%	-9.1%
Net Income	40	900	43	690	7.7%	-23.3%

Source: Company Data, Sinarmas Investment Research

<b>Income Statement (IDR Bn)</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021F</b>	<b>2022F</b>
<b>Revenue</b>	<b>25,120</b>	<b>24,660</b>	<b>15,891</b>	<b>23,004</b>	<b>26,904</b>
% growth	16.8%	-1.8%	-35.6%	44.8%	17.0%
Cost of Revenue	(21,648)	(21,175)	(14,071)	(20,259)	(23,220)
% growth	18.6%	-2.2%	-33.6%	44.0%	14.6%
Gross Profit	3,472	3,485	1,821	2,745	3,683
Operating Expense	(843)	(828)	(492)	(874)	(1,022)
Other Income (Expense)	184	(724)	(614)	(318)	(385)
<b>EBIT</b>	<b>2,958</b>	<b>2,525</b>	<b>1,351</b>	<b>2,072</b>	<b>2,836</b>
<b>EBITDA</b>	<b>3,383</b>	<b>2,340</b>	<b>1,912</b>	<b>2,796</b>	<b>3,680</b>
Net Financing	(760)	(782)	(803)	(910)	(963)
Profit from JV	418	200	236	418	448
<b>EBT</b>	<b>2,813</b>	<b>2,025</b>	<b>714</b>	<b>1,553</b>	<b>2,277</b>
Tax	(854)	(817)	(604)	(690)	(807)
Non Controlling Interest	457	278	67	173	294
<b>Net Profit for the Year</b>	<b>1,502</b>	<b>930</b>	<b>43</b>	<b>690</b>	<b>1,176</b>
% growth	3.4%	-38.1%	-95.4%	1502.9%	70.3%

<b>Balance Sheet (IDR Bn)</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021F</b>	<b>2022F</b>
Cash and Cash Equivalent	8,647	9,105	9,779	10,969	12,884
Receivables	22,145	22,853	14,427	17,979	18,531
Other Current Assets	6,742	9,705	6,529	8,142	8,635
Total Current Assets	37,534	41,705	30,735	37,089	40,050
Fixed Assets	6,605	7,425	10,968	12,616	14,215
Intangible Assets	76	303	303	303	303
Other Non Current Assets	8,333	9,322	8,515	9,423	9,920
<b>Total Assets</b>	<b>52,549</b>	<b>59,166</b>	<b>50,520</b>	<b>59,430</b>	<b>64,487</b>
Total Payables	20,457	22,109	14,763	21,048	21,928
Short-Term Loans	2,617	3,760	3,230	4,757	5,096
Other Current Liabilities	2,577	3,809	2,931	2,476	3,823
Total Current Liabilities	26,586	30,491	21,464	29,059	31,740
Long-Term Loans	6,507	9,379	10,842	11,098	12,132
Other Non Current Liabilities	451	344	229	329	377
<b>Total Liabilities</b>	<b>36,234</b>	<b>41,839</b>	<b>33,105</b>	<b>41,290</b>	<b>45,230</b>
Share & APIC	5,330	5,330	5,330	5,330	5,330
Retained Earnings	5,274	5,904	5,926	6,478	7,301
Non Controlling Interest	3,550	3,892	3,959	4,132	4,426
Other Components of Equity	2,161	2,200	2,200	2,200	2,200
<b>Total Equity</b>	<b>16,316</b>	<b>17,326</b>	<b>17,415</b>	<b>18,140</b>	<b>19,257</b>
<b>Total Equity &amp; Liabilities</b>	<b>52,549</b>	<b>59,166</b>	<b>50,520</b>	<b>59,430</b>	<b>64,487</b>

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019	2020E	2021F	2022F
<b>Net Income</b>	<b>1,502</b>	<b>930</b>	<b>43</b>	<b>690</b>	<b>1,176</b>
Depreciation & Amortization	425	(185)	562	724	844
Change in Working Capital	2,977	2,172	(3,625)	(1,706)	(116)
<b>Cash Flow from Operating</b>	<b>(1,427)</b>	<b>4,230</b>	<b>3,120</b>	<b>2,136</b>	<b>5,398</b>
Change in Fixed Assets	1,241	634	4,105	2,372	2,443
Change in Intangible Assets	36	-	-	-	-
Change in Long Term Assets	2,288	1,401	(1,219)	907	497
Change in Long Term Liabilities	1,759	(1,306)	(1,168)	366	244
<b>Cash Flow from Investing</b>	<b>(1,806)</b>	<b>(3,567)</b>	<b>(4,054)</b>	<b>(2,914)</b>	<b>(2,697)</b>
Change in Share & APIC	-	-	-	-	-
Change in Short Term Loans/Bonds	500	2,365	(1,008)	725	1,519
Change in Long Term Loans/Bonds	1,049	3,006	1,461	224	1,016
Dividends Paid	291	300	22	138	353
Others	861	381	67	173	294
<b>Cash Flow from Financing</b>	<b>2,120</b>	<b>5,451</b>	<b>498</b>	<b>983</b>	<b>2,477</b>
Change in Cash	(736)	458	674	1,189	1,916
Beginning Cash	9,383	8,647	9,105	9,779	10,969
<b>Ending Cash</b>	<b>8,647</b>	<b>9,105</b>	<b>9,779</b>	<b>10,969</b>	<b>12,884</b>

Financial Ratio	2018	2019	2020E	2021F	2022F
<b>Profitability</b>					
ROE	11.8%	6.9%	0.3%	4.9%	7.9%
ROA	2.9%	1.6%	0.1%	1.2%	1.8%
Gross Margin	13.8%	14.1%	11.5%	11.9%	13.7%
Operating Margin	10.5%	10.8%	8.4%	8.1%	9.9%
EBITDA Margin	13.5%	9.5%	12.0%	12.2%	13.7%
Net Profit Margin	6.0%	3.8%	0.3%	3.0%	4.4%
<b>Liquidity &amp; Solvency</b>					
Debt to Equity	0.8x	1.0x	1.0x	1.0x	1.0x
Net Gearing	0.3x	0.6x	0.5x	0.5x	0.5x
Debt to Assets	0.3x	0.3x	0.4x	0.3x	0.3x
<b>Valuation</b>					
Price to Earnings (PE)	4.4x	7.0x	150.7x	9.4x	5.6x
Price to Book (PBV)	0.6x	0.6x	0.6x	0.5x	0.5x

Source: Company Data, Sinarmas Investment Research

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