

PT Pembangunan Perumahan Tbk

Temporary Slowdown

BUY (TP: IDR 1,180)



11 August 2020

Soft 2Q20 results. In 2Q20, PTPP posted a lower revenue of IDR 3.3tn (-42.0% YoY/-2.1% QoQ), due to a lower burn rate at around 4.1% (vs. 9.8% in 2Q19) as PSBB was strictly implemented. GPM rose to 11.3% (+170 bps QoQ) driven by construction and EPC segment as margin increased to 8.0%/29.3% (+360 bps/+1,290 bps QoQ) respectively. OPM rose to 7.0% (+220 bps QoQ) due to OPEX efficiencies as G&A expenses fell by -41.3% QoQ. In all, NPATMI declined to IDR 2.6 bn (-80.3% QoQ) as income from JV declined by -77.7% QoQ.

Still on track. SOE's minister said that they will transform PTPP to become a value creator, meaning that business growth will be accompanied by good risk management and provide added value for Indonesia. This should benefit PTPP in terms of new contract tenders. Moreover, in 1H20, PTPP's balance sheet still maintained at relative healthy level as DER remained stable at 1.3x compared to its peers. To note, PTPP divestment plans remain on track: 1) Cisumdawu toll road and Port Kuala Tanjung divested at ~1.1x/~1.2x PBV and have already signed with the buyer, 2) Pandaan-Malang/Medan-Kualanamu toll roads with target divestment at 2.3x/1.5x PBV which are still in due diligence progress. We believe the divestment plans will be completed at the end of FY20 and will generate ~IDR 238bn gain on divestment.

Adjusting our forecast due to soft performance in 1H20. In 1H20, PTPP's new contracts achievement were booked at IDR8.9tn (-39.9% YoY), reached only 33.2% of our estimates, partly due to laggard realization construction budget from the PUPR. In 2H20, PTPP will focusing more on Batang industrial estate (BIE) phase 1 with contract amounted to ~IDR 1.8tn-3.0tn. Despite declining earnings, we believe PTPP's earnings can quickly recover as the company has many strategic projects such as BIE phase 2 with contract of ~IDR 6.6tn-11.0tn and Jakarta International Stadium. Going forward, we believe PUPR will ramp up its budget realization in FY21F. In all, we revise our FY20E/FY21F new contracts target to IDR 22.8tn/28.5tn (-15.0%/+1.2% from the initial target) and burn rate from 22.0%/24.0% to 18.0%/25.5% respectively.

We reiterate our BUY rating on PT Pembangunan Perumahan Tbk (PTPP) with a lower target price of IDR 1,180. Our TP represents 21.3% potential upside, implying 8.1x FY21F P/E. We lower our TP due to laggard realization construction budget and slower than expected construction progress. Nonetheless, we believe PTPP should outperform its peers, supported by its strategic projects and healthy balance sheet. Currently, PTPP is traded at 6.7x FY21F PE (3-years avg PE).

Highlights (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	25,120	24,660	16,345	26,258	27,050
% growth	16.8%	-1.8%	-33.7%	60.6%	3.0%
Gross Profit	3,472	3,485	1,793	3,375	3,768
Net Profit	1,502	930	40	900	1,428
% growth	3.4%	-38.1%	-95.7%	2142.6%	58.6%
Gross Margin (%)	13.8%	14.1%	11.0%	12.9%	13.9%
Net Margin (%)	6.0%	3.8%	0.2%	3.4%	5.3%
Return on Equity (%)	11.8%	6.9%	0.3%	6.5%	9.7%
Return on Assets (%)	2.9%	1.6%	0.1%	1.5%	2.3%
EPS (IDR)	242	150	6	145	230

Kharel Devin Fielim

Research Associate

+62 21 392 5550 ext. 159

kharel.fielim@sinarmassekuritas.co.id

Stock Information

Sector	Construction
Bloomberg Ticker	PTPP IJ
Market Cap. (IDR tn)	6.0
Share Out./Float (mn)	6,199/3,027
Current Price	970
FY20F Target Price	1,180
Upside	21.3%

Share Price Performance

52W High (07/17/19)	2,270
52W Low (3/24/2020)	484
52W Beta	2.1
YTD Change	-37.5%

Relative Valuations

Trailing P/E	10.0x
Forward P/E	14.7x
P/BV	0.5x

PTPP 2Q20 Earnings Summary

Highlights (IDR Bn)	2Q19	1Q20	2Q20	QoQ	YoY	1H19	1H20	YoY	%DH	%Cons
Revenue	5,754	3,409	3,336	-2.1%	-42.0%	10,702	6,745	-37.0%	41.3%	35.2%
Gross Profit	804	328	377	14.9%	-53.1%	1,410	705	-50.0%		
Operating Profit	562	163	233	42.9%	-58.5%	1,011	396	-60.8%		
NPATMI	188	13	3	-80.3%	-98.6%	359	16	-95.6%	39.8%	3.6%
Gross Margin	14.0%	9.6%	11.3%			13.2%	10.5%			
Operating Margin	9.8%	4.8%	7.0%			9.4%	5.9%			
Net Profit Margin	3.3%	0.4%	0.1%			3.4%	0.2%			

Source: Company Data, Sinarmas Investment Research

Earnings Changes

(IDR Bn)	Previous		New		%Change	
	2020E	2021F	2020E	2021F	2020E	2021F
Revenue	20,863	24,514	16,345	26,258	-21.7%	7.1%
Gross Profit	2,580	3,249	1,793	3,375	-30.5%	3.9%
EBIT	1,881	2,268	1,255	2,354	-33.3%	3.8%
EBITDA	2,461	3,025	1,817	3,076	-26.2%	1.7%
Net Income	590	903	40	900	-93.2%	-0.3%

Source: Company Data, Sinarmas Investment Research

Key Assumptions Changes

(IDR Bn)	Previous		New		%Change	
	2020E	2021F	2020E	2021F	2020E	2021F
New Contract	26,832	28,174	22,807	28,509	-15.0%	1.2%
Burn Rate	22.0%	24.0%	18.0%	25.5%	-4.0%	1.5%

Source: Company Data, Sinarmas Investment Research

Income Statement (IDR Bn)	2018	2019	2020E	2021F	2022F
Revenue	25,120	24,660	16,345	26,258	27,050
% growth	16.8%	-1.8%	-33.7%	60.6%	3.0%
Cost of Revenue	(21,648)	(21,175)	(14,552)	(22,883)	(23,281)
% growth	18.6%	-2.2%	-31.3%	57.2%	1.7%
Gross Profit	3,472	3,485	1,793	3,375	3,768
Operating Expense	(843)	(828)	(506)	(682)	(703)
Other Income (Expense)	184	(724)	(563)	(735)	(400)
EBIT	2,958	2,525	1,255	2,354	3,023
EBITDA	3,383	2,340	1,817	3,076	3,860
Net Financing	(760)	(782)	(815)	(689)	(658)
Profit from JV	418	200	190	205	211
EBT	2,813	2,025	724	1,957	2,666
Tax	(854)	(817)	(621)	(788)	(811)
Non Controlling Interest	457	278	63	269	426
Net Profit for the Year	1,502	930	40	900	1,428
% growth	3.4%	-38.1%	-95.7%	2142.6%	58.6%

Balance Sheet (IDR Bn)	2018	2019	2020E	2021F	2022F
Cash and Cash Equivalent	8,647	9,105	10,112	9,538	11,007
Receivables	22,145	22,853	14,845	20,469	18,496
Other Current Assets	6,742	9,705	6,702	9,227	8,679
Total Current Assets	37,534	41,705	31,659	39,234	38,182
Fixed Assets	6,605	7,425	10,968	12,527	14,039
Intangible Assets	76	303	303	303	303
Other Non Current Assets	8,333	9,322	8,671	9,739	9,869
Total Assets	52,549	59,166	51,600	61,803	62,393
Total Payables	20,457	22,109	15,264	23,783	21,989
Short-Term Loans	2,617	3,760	3,456	4,787	4,930
Other Current Liabilities	2,577	3,809	2,927	2,513	3,639
Total Current Liabilities	26,586	30,491	22,206	31,961	31,452
Long-Term Loans	6,507	9,379	11,158	10,568	10,232
Other Non Current Liabilities	451	344	237	372	378
Total Liabilities	36,234	41,839	34,191	43,810	43,045
Share & APIC	5,330	5,330	5,330	5,330	5,330
Retained Earnings	5,274	5,904	5,924	6,239	7,167
Non Controlling Interest	3,550	3,892	3,954	4,223	4,650
Other Components of Equity	2,161	2,200	2,200	2,200	2,200
Total Equity	16,316	17,326	17,409	17,993	19,348
Total Equity & Liabilities	52,549	59,166	51,600	61,803	62,393

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019	2020E	2021F	2022F
Net Income	1,502	930	40	900	1,428
Depreciation & Amortization	425	(185)	562	722	837
Change in Working Capital	2,977	2,172	(3,580)	(1,159)	(764)
Cash Flow from Operating	(1,427)	4,182	2,781	3,029	5,546
Change in Fixed Assets	1,241	634	4,105	2,281	2,349
Change in Intangible Assets	36	-	-	-	-
Change in Long Term Assets	2,288	1,401	(1,063)	1,068	130
Change in Long Term Liabilities	1,759	(1,306)	(1,127)	454	92
Cash Flow from Investing	(1,806)	(3,567)	(4,170)	(2,895)	(2,387)
Change in Share & APIC	-	-	-	-	-
Change in Short Term Loans/Bonds	500	2,365	(813)	448	1,247
Change in Long Term Loans/Bonds	1,049	3,006	1,764	(591)	(347)
Dividends Paid	291	300	20	585	500
Others	861	381	63	269	426
Cash Flow from Financing	2,120	5,451	994	(459)	827
Change in Cash	(736)	458	1,007	(573)	1,469
Beginning Cash	9,383	8,647	9,105	10,112	9,538
Ending Cash	8,647	9,105	10,112	9,538	11,007

Financial Ratio	2018	2019	2020E	2021F	2022F
Profitability					
ROE	11.8%	6.9%	0.3%	6.5%	9.7%
ROA	2.9%	1.6%	0.1%	1.5%	2.3%
Gross Margin	13.8%	14.1%	11.0%	12.9%	13.9%
Operating Margin	10.5%	10.8%	7.9%	10.3%	11.3%
EBITDA Margin	13.5%	9.5%	11.1%	11.7%	14.3%
Net Profit Margin	6.0%	3.8%	0.2%	3.4%	5.3%
Liquidity & Solvency					
Debt to Equity	0.8x	1.0x	1.0x	1.0x	0.9x
Net Gearing	0.3x	0.6x	0.5x	0.6x	0.5x
Debt to Assets	0.3x	0.3x	0.4x	0.3x	0.3x
Valuation					
Price to Earnings (PE)	4.8x	7.7x	177.2x	7.9x	5.0x
Price to Book (PBV)	0.6x	0.6x	0.6x	0.5x	0.5x

Source: Company Data, Sinarmas Investment Research

SINARMAS SEKURITAS INVESTMENT RATINGS GUIDE

BUY: Share price may rise by more than 15% over the next 12 months.

ADD: Share price may range between 10% to 15% over the next 12 months.

NEUTRAL: Share price may range between -10% to +10% over the next 12 months.

REDUCE: Share price may range between -10% to -15% over the next 12 months.

SELL: Share price may fall by more than 15% over the next 12 months.

DISCLAIMER

This report has been prepared by PT Sinarmas Sekuritas, an affiliate of Sinarmas Group.

This material is: (i) created based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such; (ii) for your private information, and we are not soliciting any action based upon it; (iii) not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions expressed are current opinions as of original publication date appearing on this material and the information, including the opinions contained herein, is subjected to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst (s) responsible for the preparation of this publication may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, integrating and interpreting market information. Research will initiate, update and cease coverage solely at the discretion of Sinarmas Research department. If and as applicable, Sinarmas Sekuritas' investment banking relationships, investment banking and non-investment banking compensation and securities ownership, if any, are specified in disclaimers and related disclosures in this report. In addition, other members of Sinarmas Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from companies under our research coverage. Further, the Sinarmas Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by Sinarmas Group), or derivatives (including options) thereof, of companies under our coverage, or related securities or derivatives. In addition, the Sinarmas Group, including Sinarmas Sekuritas, may act as market maker and principal, willing to buy and sell certain of the securities of companies under our coverage. Further, the Sinarmas Group may buy and sell certain of the securities of companies under our coverage, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Recipients should not regard this report as substitute for exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investments may go down as well as up and you may not get back the full amount invested.

Sinarmas Sekuritas specifically prohibits the redistribution of this material in whole or in part without the written permission of Sinarmas Sekuritas and Sinarmas Sekuritas accepts no liability whatsoever for the actions of third parties in this respect. If publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Additional information is available upon request.

Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual properties.

©Sinarmas Sekuritas(2020). All rights reserved.