

Company Update

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CONSTRUCTION & INVESTMENT

PT Pembangunan Perumahan (Persero) Tbk is a full service construction company. Its business lines include construction, EPC, precast, and property development. It also leases the construction equipments.

Current Price: IDR 3,690
52-Week Target Price: IDR 4,535
Previous Target Price: IDR 4,775

PT PP (Persero) Tbk (PTPP)
The Conundrum of Private Projects
BUY

We reiterate our BUY call on PT Pembangunan Perumahan (Persero) Tbk (PTPP) with 52-week target price of IDR 4,535, deriving via DCF with 12.5% WACC and 5.0% terminal growth. Our valuation implies a FY16E P/E of 20.0x. We view aggressive new order book target of IDR 31 Tn (up 14.7% YoY) will be the main driver for the company's top line, supported by the 8% increase on state budget allocation. Our estimate suggests company's top line to grow by 31% YoY. Meanwhile, another tailwind for Indonesian construction sector would be the implementation of Tax Amnesty, which could potentially raise fiscal revenue by IDR 58 Tn to IDR 160 Tn (according to BI and Ministry of Finance respectively). Thus, we remain bullish on PTPP as the company will be benefited from current government administration's focus.

Redirecting focus on SOE and government projects. As the private sector is facing difficult times with property developers delaying construction due to weak sales, PTPP shifts the target by aiming the new contracts to come mostly from SOE and government (46% and 33% respectively) in this year. We are optimistic that PTPP could get more contracts in the upcoming quarters. We view soft achievement at 13.59% as of 1Q16 cannot be compared -38% YoY given the shift from private projects to SOE projects.

Robust balance sheet to lower dependency on capital injection. The company's gearing ratio stood at 0.68x as of 1Q16, which leaves the company plenty of room to leverage, if capital injection from the government gets postponed. IDR 1.32 Tn in cash as of 1Q16 also enables the company to expand. On another note, the company being selective on acquiring new projects also helps the company to maintain healthy balance sheet.

The risks to our call include: 1) PTPP could not be able to leverage the risks from a huge portion of last year private projects due to economy slowed down. 2) Downside demand on property could give a major effect on PTPP cash flows and earnings. 3) The uncertainty of getting new port projects after Kalibaru and Kuala Tanjung ports from Pelindo.

Share Price Performance

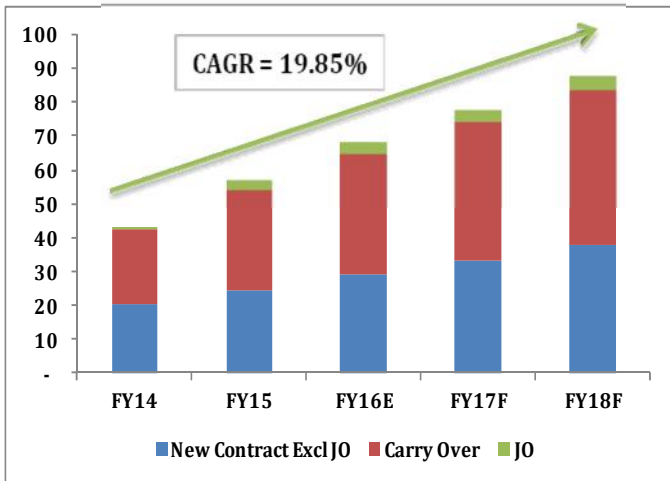
Price (IDR)	3,690
52-Week High (05/26/15)	4,215
52-Week Low (08/29/15)	2,960
52-Week Beta	0.81
YTD Change/%	-175/-4.52%

Stock Information

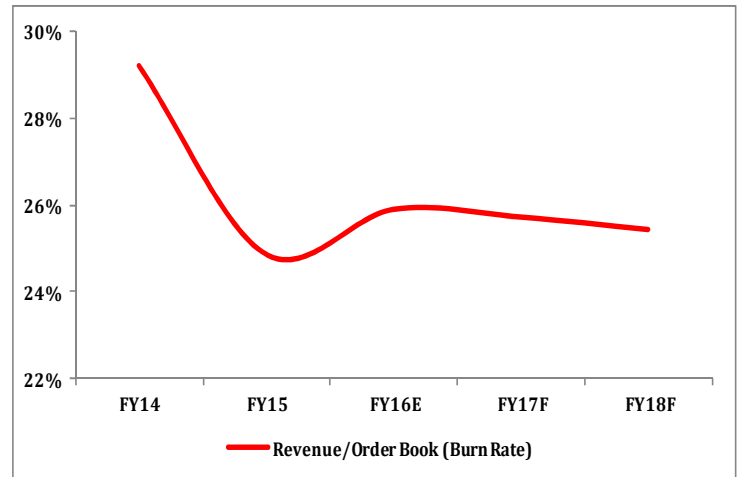
Market Cap (IDR)	17,917.0B
Shares Out/Float (M)	4,842.4M/2,213M

Financial Highlights	2014	2015	2016E	2017F	2018F
Revenue (IDR bn)	12,427	14,217	18,574	20,970	23,363
% growth		14%	31%	13%	11%
Gross Profit (IDR bn)	1,533	2,007	2,206	2,513	2,861
Net Profit (IDR bn)	532	846	929	1,062	1,302
% growth		59%	10%	14%	23%
EV/EBITDA (x)	19.4	15.1	13.8	11.9	10.3
Gross Margin (%)	12.3%	14.1%	11.9%	12.0%	12.2%
Net Margin (%)	4.3%	5.9%	5.0%	5.1%	5.6%
Return on Equity (%)	15.7%	17.8%	16.7%	16.3%	17.0%
Return on Assets (%)	3.2%	4.0%	3.9%	4.0%	4.4%

Source: Company Data, Sinarmas Investment Research

Appendix I:
Breakdown of Total Contracts (in IDR Tn):


Source: Company, Sinarmas Investment Research

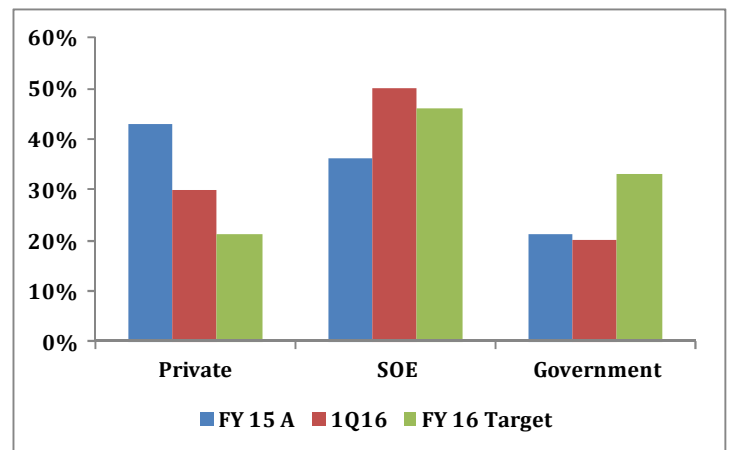
PTPP Revenue/Order Book (Burn Rate):


Source: Company, Sinarmas Investment Research

New Contract as of 1Q16

No	Projects	In IDR Bn
1	BNI Pejompongan	719
2	Mobile Power Plant of 500 MW,GE	447
3	Setiabudi Residence - Medan	281
4	Lotte Ville	256
5	Clean Water Improvement-Tangerang	253
6	Transmart-Carrefour Depok	247
7	Sahid Hotel Timika	225
8	Terminal & Parking Radin Inten, Lampung	169
9	Transmart-Rungkut	145
10	Manhattan Greenland (ME)	120
11	Bellevue Tebet Apartment-Gapura Prima	96
12	Double trackrailway Jombang-Madiun	84
13	PP Precast	603
14	PP Property	449
15	PP Equipment	31
16	Others	88
Total New Contracts 1Q16		4,213
% New Contract 1Q16 of FY16E		13.59%

Source: Company, Sinarmas Investment Research

PTPP New Contracts Proportion:


Source: Company, Sinarmas Investment Research

Appendix II: Financial Statements

Income Statement (in IDR Mn)	2014	2015	2016E	2017F	2018F
Revenues	12,427,371	14,217,373	18,573,892	20,970,408	23,362,958
Cost Of Sales	(10,894,711)	(12,210,412)	(16,368,383)	(18,457,294)	(20,502,004)
Gross Profit	1,532,660	2,006,961	2,205,509	2,513,114	2,860,954
Operating Costs	(275,958)	(409,797)	(457,607)	(483,720)	(512,671)
Operating Income	1,256,702	1,597,164	1,747,902	2,029,394	2,348,283
Other Expenses	(33,125)	(61,119)	(70,616)	(77,229)	(81,492)
Tax Expenses	(387,380)	(441,971)	(426,521)	(557,217)	(629,112)
Net Income	532,065	845,563	928,579	1,061,849	1,302,144
EPS (Rp.)	113.4	180.2	197.9	226.4	277.6

Balance Sheet (in IDR Mn)	2014	2015	2016E	2017F	2018F
Current Assets					
Cash & Near Cash Items	2,408,126	3,025,394	2,216,404	2,599,762	2,908,403
Accounts & Notes Receivable	7,244,392	8,829,169	10,847,507	12,247,118	13,644,413
Inventories	2,570,346	2,498,625	3,337,751	3,763,710	4,180,656
Total Current Assets	13,545,180	15,430,535	18,126,349	20,615,986	22,888,634
Fixed Assets - net	493,576	2,989,066	3,847,981	4,123,682	4,433,033
Other non-current assets	147,393	272,134	272,134	272,134	272,134
Total Assets	14,611,865	19,128,812	22,683,540	25,448,879	28,030,877
Current Liabilities					
Total Payables	7,056,355	7,944,362	10,407,186	11,745,233	13,047,696
Unearned Revenue	622,849	697,645	904,469	1,021,169	1,137,676
Notes Payable	1,566,698	1,657,938	1,659,714	1,730,474	1,977,693
Total Current Liabilities	9,838,497	11,114,414	15,717,664	17,500,178	18,907,336
Total Loans - net	1,454,984	1,913,085	1,997,699	2,120,139	1,757,687
Total Liabilities	12,221,595	14,009,740	16,821,604	18,737,464	20,277,747
Equity					
Share Capital & APIC	946,262	916,089	916,089	916,089	916,089
Retained Earnings	1,442,959	2,016,455	2,759,318	3,608,798	4,650,513
Total Liabilities & Equity	14,611,865	19,128,812	22,683,540	25,448,879	28,030,877

Financial Ratios	2014	2015	2016E	2017F	2018F
P/E	32.50	25.33	19.24	16.83	13.72
Yield (%)	0.6%	0.8%	1.0%	1.2%	1.5%
P/B	7.42	4.28	2.95	2.58	2.23
EV/EBITDA	19.43	15.11	13.77	11.87	10.27
ROE	15.7%	17.8%	16.7%	16.3%	17.0%
ROA	3.2%	4.0%	3.9%	4.0%	4.4%
Current Ratio	1.38	1.39	1.15	1.18	1.21
D/E	0.62	0.57	0.48	0.38	0.27
Debt/Assets	0.21	0.19	0.16	0.15	0.13

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