

Total Bangun Persada

(TOTL IJ)

Not Rated

Keeping stamina for the long run

Mirae Asset Sekuritas Indonesia

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Company at a glance

- Established in 1970, TOTL is one of the largest privately owned construction companies in Indonesia.
- It specializes in premium building construction of >800 buildings, covering high-end commercial buildings, apartments condominiums, offices, shopping centers, universities, hospitals, religious centers, TV stations, indoor theme park, etc.
- Notable past projects include Pondok Indah Residence, Pakubuwono Residence, Verde II Condominiums, Menara Astra (JO project), Sequis Tower, MNC Media Tower, Central Park Jakarta, ICE BSD City, and Trans Studio Bandung.

FY21 revenue, net profit & new contract target

The pandemic inevitably impacts the company's business in FY20

- 9M20 revenue dropped by 7.3% YoY to IDR1.8tn, and the company expects FY20 revenue to range between IDR2-2.3tn (vs. FY19 revenue of IDR2.5tn).
- Some of its clients are experiencing tighter cash flow during the pandemic. Hence, it's not uncommon for them to negotiate for more competitive pricing. As a result, gross margin declined from 14.9% in 9M19 to 11.2%. The company expects FY20 net profit to range between IDR50-175bn (vs. FY19 net profit of IDR175tn).
- The company booked IDR836bn new contract in FY20, which is 57.3% lower than FY19 realization of IDR1.9tn. Demand for office space was challenging in FY20, but the company managed to obtain several shopping center construction projects outside Jabodetabek, which contributed 14% to the company's total revenue in 9M20.
- The company believes that demand for office space will still be challenging in FY21. Nevertheless, shopping center construction projects are expected to keep supporting the company's FY21 new contract. Shopping centers account for 20% of its current pipelines of IDR7.1tn.
- The company targets FY21 revenue, net profit, and new contract of IDR2tn, IDR75bn, and IDR2tn, respectively.

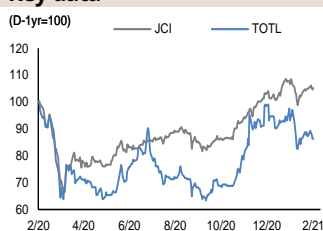
Maintaining solid B/S and cash flow

- The company can consistently maintain a net cash position and positive operating cash flow. As of 9M20, the company had no interest bearing debt.
- As of 9M20, receivable days and cash conversion days each stood at 74 and 47 days, which are relatively prudent in our view.
- During these difficult times, the company tends to preserve cash and will only allocate IDR3bn capex in FY21.

Dividend yield & valuation

- Payout ratio usually ranges between 60-70% in the last 5 years (FY15-19), with yield of ~3-4% (at current share price). However, as the company tends to preserve cash, FY20 payout ratio dropped to ~20%, with 0.6% yield. In FY21, we believe the company will maintain a similar payout ratio to the one in FY20.
- Currently, TOTL is trading at FY21F P/E (Company) of 16.1x (+3.4 SD of its 5-year mean). Nevertheless, its P/B multiple (using 9M20 BVPS) is standing at 1.1x at the moment, which is still reasonably priced.

Key data



Share Price (2/19/21, IDR)	354	Market Cap (IDRbn)	1,207.1
Consensus NP (21F, IDRbn)	119.0	Shares Outstanding (mn)	3,410.0
NP Mirae Asset vs. consensus (21F, %)	N/A	Free Float (%)	32.8
EPS Growth (21F, %)	N/A	Beta (Adjusted, 24M)	1.1
P/E (21F, x)	N/A	52-Week Low (IDR)	246
Industry P/E (21F, x)	19.0	52-Week High (IDR)	420
Benchmark P/E (21F, x)	15.7		

Share performance

(%)	1M	6M	12M
Absolute	-7.3	20.4	-13.7
Relative	-5.4	2.8	-18.2

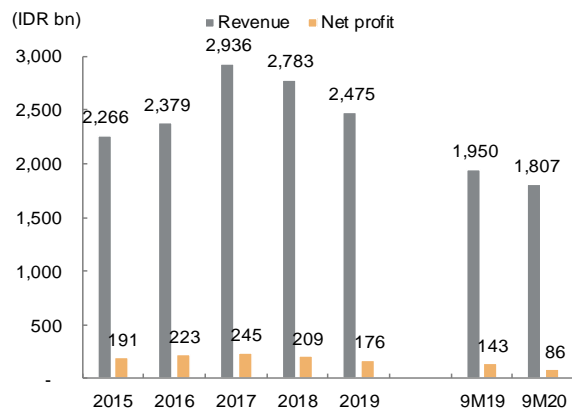
Earnings and valuation metrics

FY (Dec)	2015	2016	2017	2018	2019	9M20
Revenue	2,266	2,379	2,936	2,783	2,475	1,807
Gross profit	342	420	440	444	360	203
Operating profit	229	284	295	259	204	103
Net profit	191	223	245	209	176	86
P/E (x)	6.3	5.4	4.9	5.8	6.9	10.6*
P/B (x)	1.4	1.3	1.2	1.1	1.1	1.1
ROA (%)	6.7	7.5	7.1	6.3	5.9	3.8*
ROE (%)	22.1	23.5	22.9	19.4	16.3	10.2*
Dividend yield (%)	2.9	3.9	4.1	3.5	2.8	0.6
Net debt to equity (%)	-	-	-	-	-	-

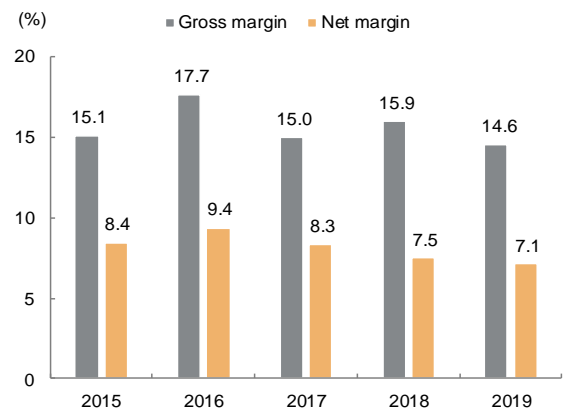
Note: Net profit refers to net profit attributable to controlling interests

*Annualized

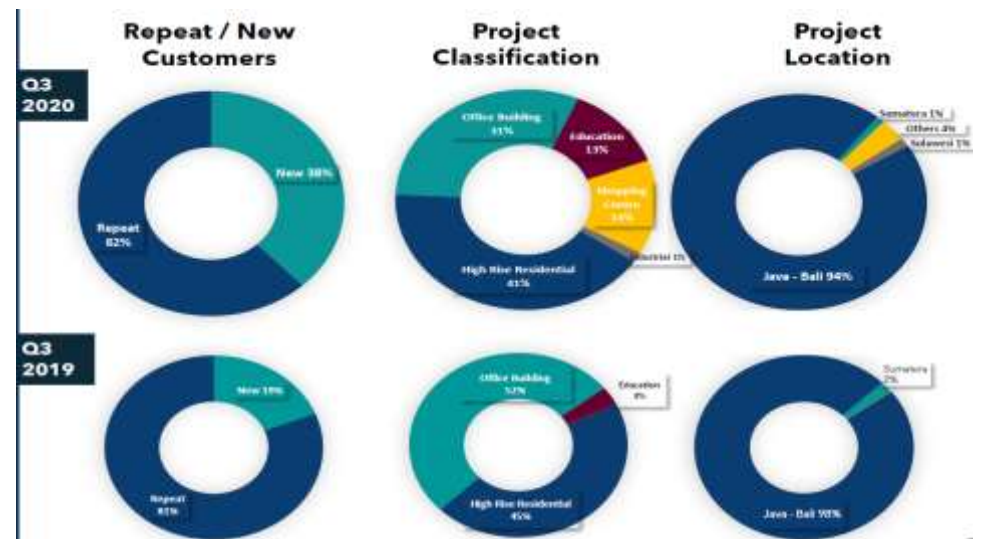
Source: Company data, Mirae Asset Sekuritas Indonesia Research

Figure 1. Revenue and net profit

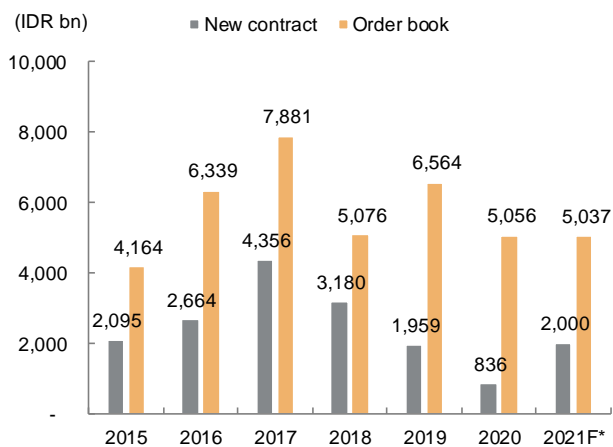
Source: TOTL, Mirae Asset Sekuritas Indonesia Research

Figure 2. Gross and net margin

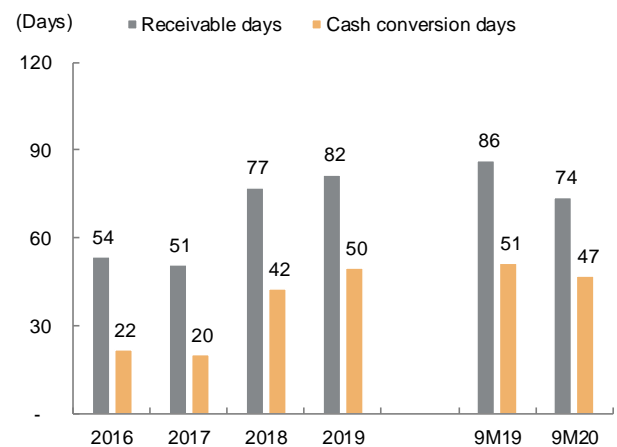
Source: TOTL, Mirae Asset Sekuritas Indonesia Research

Figure 3. Revenue mix: 9M19 vs. 9M20

Source: TOTL

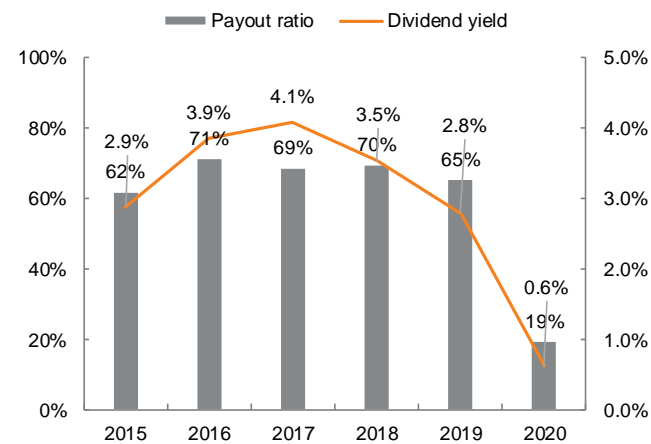
Figure 4. New contract and order book

Source: TOTL, Mirae Asset Sekuritas Indonesia Research

Figure 5. Receivable days and cash conversion days

Source: TOTL, Mirae Asset Sekuritas Indonesia Research

Figure 6. Payout ratio and dividend yield



Source: TOTL, Mirae Asset Sekuritas Indonesia Research

Figure 7. Forward P/E band (Company estimates)



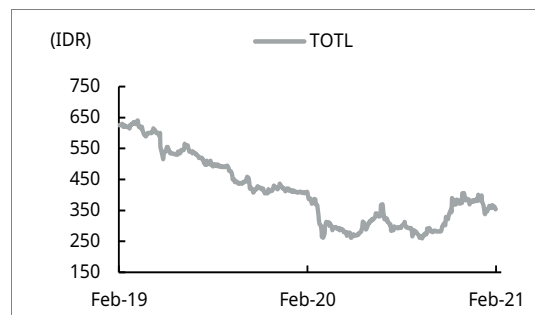
Source: Mirae Asset Sekuritas Indonesia Research

APPENDIX 1

Important Disclosures & Disclaimers

2-Year Rating and Target Price History

Company (Code)	Date	Rating	Target Price
TOTL J		Not-rated	



Stock Ratings

Buy	: Relative performance of 20% or greater
Trading Buy	: Relative performance of 10% or greater, but with volatility
Hold	: Relative performance of -10% and 10%
Sell	: Relative performance of -10%

Industry Ratings

Overweight	: Fundamentals are favorable or improving
Neutral	: Fundamentals are steady without any material changes
Underweight	: Fundamentals are unfavorable or worsening

Ratings and Target Price History (Share price (—), Target price (—), Not covered (—), Buy (▲), Trading Buy (■), Hold (●), Sell (◆))

* Our investment rating is a guide to the relative return of the stock versus the market over the next 12 months.

* Although it is not part of the official ratings at PT Mirae Asset Sekuritas Indonesia, we may call a trading opportunity in case there is a technical or short-term material development.

* The target price was determined by the research analyst through valuation methods discussed in this report, in part based on the analyst's estimate of future earnings.

* The achievement of the target price may be impeded by risks related to the subject securities and companies, as well as general market and economic conditions.

Equity Ratings Distribution

	Buy	Trading Buy	Hold	Sell
Equity Ratings Distribution	57.45%	25.53%	14.89%	2.13%

* Based on recommendations in the last 12-months (as of December 31, 2020)

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