

Pakuwon Jati Tbk (PWON)

Hit by PSBB Tightening

The strict PSBB (Large-Scale Social Restrictions) period in 2Q20 caused PWON's revenue to fall to IDR324 billion (-82.2% YoY). Meanwhile, profit was booked at IDR416 billion (-35.5% YoY). On the other hand, PWON has achieved marketing sales of IDR501 billion or 47% of the 2020 target. We are optimistic that PWON will be able to fully achieve its marketing sales target by the end of the year. Plus, until the first semester, the average occupancy rate of PWON's malls is still above 90%.

Income Dropped, but Recorded Better Profit from Previous Quarter

PWON recorded 2Q20 revenue of IDR324 billion or a decrease of 82.2% YoY (vs IDR 1.79 trillion 2Q19) which led to a gross loss of IDR9 billion and an operating loss of IDR131 billion. This is the first loss that PWON has booked in the last 8 years, while recording a top-line 77% below our estimate. On the other hand, EBT Margin in 2Q20 increased significantly to 124.5% (vs 43.6% 2Q19) due to a decrease in the value of foreign exchange losses from the previous quarter of IDR457 billion. This resulted in PWON posting a higher profit of IDR416 billion (-35.5% YoY, + 522.8% QoQ) and NPM which jumped to 128.5% (vs 35.9% 2Q19).

Optimistic Marketing Sales Fulfilled

Recurring income in 2Q20 was booked at IDR243 billion or decreased by 72.6% YoY due to the closure of mall operations and minimal visits to hotels. Meanwhile, development income was recorded at IDR81 billion (-91.1% YoY). During the second quarter of 2020, property sales, both condominiums and offices, experienced difficulties due to the pandemic and the tightness of the PSBB. On the other hand, PWON lowered its marketing sales target from IDR1.7 trillion to IDR1.06 trillion, of which up to 1H20 it had reached IDR501 billion or around 47%. The PSBB which began to be relaxed in 3Q20 makes us optimistic that PWON will be able to achieve its marketing sales target by the end of the year.

Mall Occupancy Rate Still Maintained

PWON has a large portfolio of malls spread across Jakarta and Surabaya with occupancy rates kept above 90%. The implementation of the PSBB which led to the closure of mall operations during 2Q20 did reduce mall occupancy rates, but not significantly. Like the occupancy of Gandaria City Mall in 1H20 to 95% from 98% in 2019, Pakuwon Trade Center and Blok M Plaza also fell from 92% and 97% to 91% and 95%. PWON is anticipating the difficulty of this business continuity by providing relief in the form of an extension of the rental fee payment period but still charging service fees for tenants.

Lowering 2020-2022F Income and Profit Projections

We maintain PWON's estimated revenue and profit taking into account; 1) 2Q20 performance is far below our expectations, 2) Covid-19 cases that continue to increase and have not declined can be a risk for mall operations closures and decrease in hotel visitors, 3) Business pressure on mall tenants and offices can cause delays and difficulties for rent and service fees payments.

Maintain BUY Rating with TP of IDR440

We maintain our BUY rating by revising the target price downward to IDR440 using the estimated discount to NAV of 72.89% (+1 SD above the average for the last 3 years) as the basis for the valuation method. Currently, PWON is traded with a discount to NAV of 78.06%.

Pakuwon Jati Tbk | Summary

	2019A	2020F	2021F	2022F
Revenue	7,202	4,149	4,773	5,856
Growth (%)	1.7%	-42.4%	15.0%	22.7%
EBITDA	3,791	2,301	2,362	2,762
Net Profit	2,720	1,212	1,403	1,811
EPS (IDR)	56	25	29	38
Growth (%)	45.2%	-55.4%	15.7%	29.1%
P/E	10.1x	17.5x	15.1x	11.7x
P/BV	1.5x	1.2x	1.2x	1.1x
EV/EBITDA	7.4x	6.8x	7.9x	7.1x
ROE (%)	16.3%	6.8%	7.9%	9.5%
DER (%)	26.5%	24.0%	23.0%	20.0%
Dividend Yield	1.1%	1.6%	1.6%	0.8%

Unit: IDR bn, %, x
Source: Company Data, Bloomberg, NHKS Research
Please consider the rating criteria & important disclaimer

Company Update | Sept 17, 2020

BUY

Target Price (IDR)	440
Consensus Price (IDR)	533
TP to Consensus Price	-17.4%
vs. Last Price	17.6%

Shares data

Last Price (IDR)	374
Price Date as of	Sept 15, 2020
52 wk Range (Hi/Lo)	690/266
Free Float (%)	31.3
Outstanding sh.(mn)	48,160
Market Cap (IDR bn)	18,301
Market Cap (USD mn)	1,227
Avg. Trd Vol - 3M (mn)	123
Avg. Trd Val - 3M (bn)	51.20
Foreign Ownership	14.7%

Property

Real Estate Owner & Developer

Bloomberg	PWON IJ
Reuters	PWON.JK

Share Price Performance

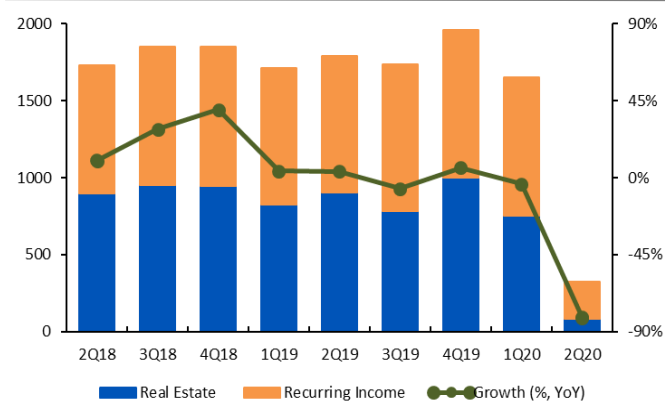


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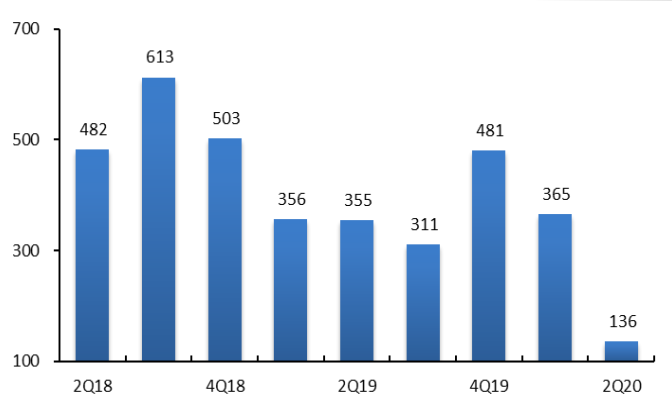
Performance Highlights in Charts

PWON Quarterly Revenue (IDR bn) | 2Q18 - 2Q20



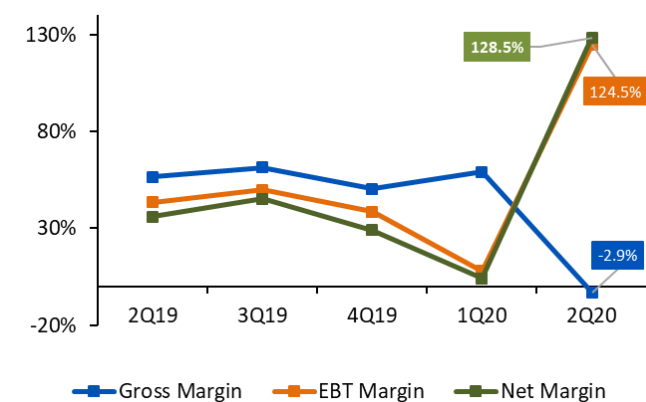
Source: Company Data, NHKS Research

PWON Quarterly Marketing Sales (IDR bn) | 2Q18 - 2Q20



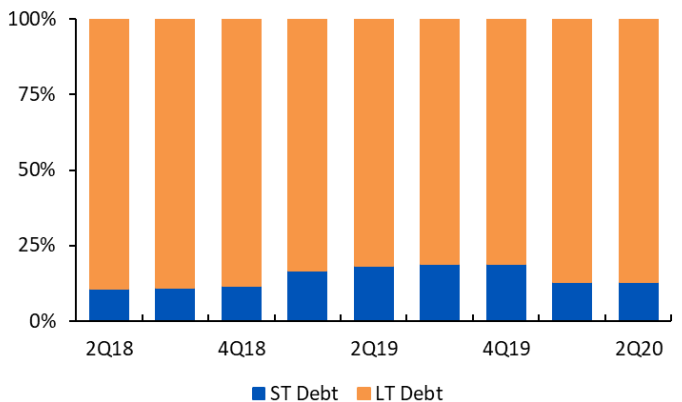
Source: Company Data, NHKS Research

Margin Ratios | 2Q19 - 2Q20



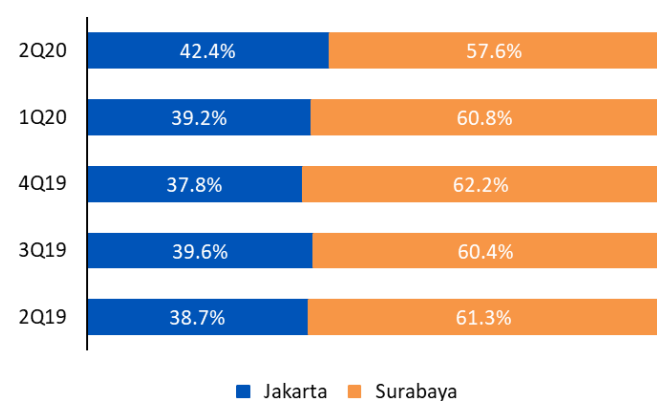
Source: Company Data, NHKS Research

PWON Debt Portion | 2Q18 - 2Q20



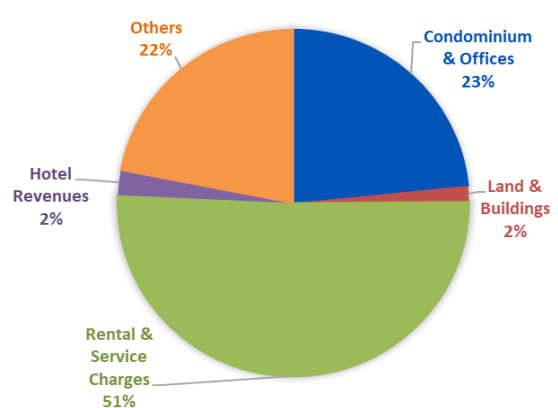
Source: Company Data, NHKS Research

PWON Revenue by Geography | 2Q19 - 2Q20



Source: Company Data, NHKS Research

PWON Revenue Breakdown | 2Q20



Source: Company Data, NHKS Research

Quarterly Review

	2Q19	3Q19	4Q19	1Q20	2Q20					3Q20E
					Actual	Estimate	Y-Y	Q-Q	Surprise	
Income statement										
Revenue	1,794	1,735	1,962	1,962	324,	1,404	-82.0%	-80.4%	-77.0%	967
Gross Profit	1,015	1,066	990	977	-9	805	-100.9%	-101.3%	-101.2%	533
EBIT	771	824	694	758	-131	669	-117.0%	-117.3%	-119.6%	416
EBITDA	983	1,017	911	970	208	783	-78.8%	-78.6%	-73.4%	535
Net Profit	644	785	569	67	416	507	-35.5%	522.8%	-18.0%	331
Margin										
Gross Margin	56.6%	61.4%	50.5%	59.2%	-2.9%	57.5%	-59.5%	-62.1%	-105.1%	55.1%
EBIT Margin	43.0%	47.5%	35.4%	45.9%	-40.5%	47.6%	-83.4%	-86.4%	-184.9%	43.0%
EBITDA Margin	54.8%	58.6%	46.4%	58.8%	64.2%	55.7%	9.5%	5.5%	15.3%	55.3%
Net Profit Margin	35.9%	45.2%	29.0%	4.0%	128.5%	36.1%	92.6%	124.4%	256.1%	34.2%

Unit: IDR bn, %

Source: Company Data, NHKS Research

Earnings Revision

		2020F	2021F	2022F
Income Statement				
Revenue	-Revised	4,149	4,773	5,856
	-Previous	6,536	6,763	7,350
	-Change	-36.5%	-29.4%	-20.3%
Gross Profit	-Revised	2,136	2,537	3,095
	-Previous	3,714	3,825	4,194
	-Change	-42.5%	-33.7%	-26.2%
EBIT	-Revised	1,495	1,838	2,214
	-Previous	2,880	2,925	3,237
	-Change	-48.1%	-37.2%	-31.6%
EBITDA	-Revised	2,301	2,362	2,762
	-Previous	3,462	3,450	3,788
	-Change	-33.5%	-31.5%	-27.1%
Net Profit	-Revised	1,212	1,403	1,811
	-Previous	1,852	2,008	2,182
	-Change	-34.5%	-30.1%	-17.0%
Margin				
Gross Margin	-Revised	51.5%	53.2%	52.9%
	-Previous	56.8%	56.5%	57.1%
EBIT Margin	-Revised	36.0%	38.5%	37.8%
	-Previous	44.1%	43.2%	44.0%
EBITDA Margin	-Revised	55.5%	49.5%	47.2%
	-Previous	53.0%	51.0%	51.5%
Net Profit Margin	-Revised	29.2%	29.4%	30.9%
	-Previous	28.3%	29.7%	29.7%

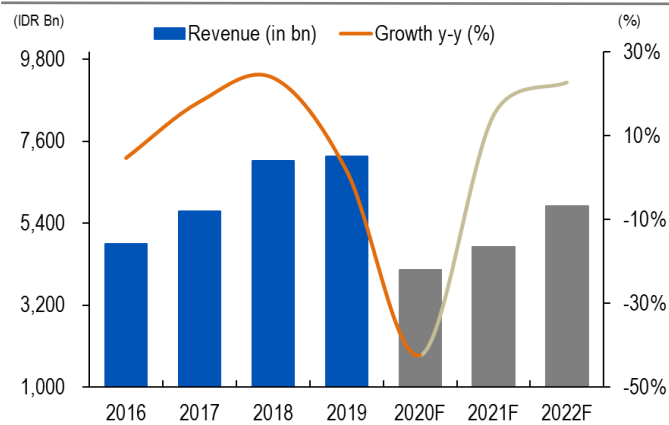
Unit: IDR bn, %

Source: Company Data, NHKS Research

Company Overview

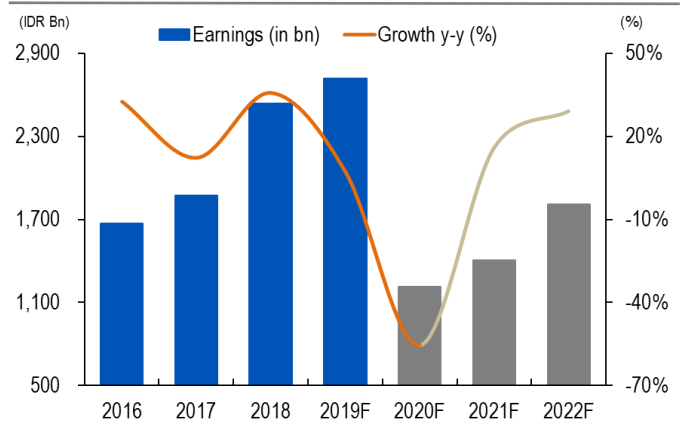
- PWON is one of the property developers to focus on developing shopping centers, condominiums, office spaces, or superblocks. Its developed projects are mainly situated in strategic areas in Jakarta (42.4%), Surabaya (57.6%) and marketed to the upper-to-middle income group.
- It has varied superblocks (i.e. Kota Kasablanka, Blok M Plaza, and Gandaria City located in Jakarta; and Tunjangan City and Pakuwon Mall situated in Surabaya), and its superblocks have vacant land for further expansion plans.
- PWON banks on mixed-use condominiums built in its superblocks.
- It succeeds to balance recurring income ratio deriving from hotel & apartment rental and developmental revenues contributed by land & property sales.
- PWON is currently developing The Westin project in Surabaya and a superblock project in Bekasi.

Revenue and Growth Movements



Source: Company Data, NHKS Research

Earnings and Growth Movements



Source: Company Data, NHKS Research

Asia Pacific Companies Peers Analysis

		Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Profit Margin	ROE LTM	P/E LTM	P/BV
Indonesia										
BSDE	BSDE IJ EQUITY	1,072	3,932	406	43	-79.53%	10.47%	2.11%	23.5x	0.5x
CTRA	CTRA IJ EQUITY	865	2,614	507	72	-21.04%	14.19%	7.02%	12.4x	0.9x
PWON	PWON IJ EQUITY	1,227	1,885	396	128	-33.89%	32.39%	13.21%	10.0x	1.3x
SMRA	SMRA IJ EQUITY	576	1,765	380	26	-27.57%	6.91%	5.32%	22.8x	1.2x
Singapore										
Capitaland Ltd	CAPL SP EQUITY	10,379	61,242	4,433	981	-20.79%	22.14%	5.86%	10.2x	0.6x
Malaysia										
SP Setia Bhd	SPSB MK EQUITY	739	7,345	657	16	-81.16%	2.39%	-	-	0.3x
IOI Properties Group Bhd	IOIPG MK EQUITY	1,196	7,908	503	108	-31.09%	51.53%	2.41%	10.9x	0.3x
Thailand										
Land & Houses PUB Co Ltd	LH TB EQUITY	2,767	3,802	922	293	9.95%	31.77%	18.39%	9.6x	1.8x
WHA Corp PCL	WHA TB EQUITY	1,375	2,765	239	78	-26.52%	32.60%	8.54%	17.7x	1.6x
Philippines										
Megaworld Corp	MEG PM EQUITY	2,086	6,896	1,075	295	-7.96	27.41%	8.57%	6.8x	0.6x

Unit: USD mn, %, X

Source: Bloomberg, NHKS Research

Valuation Highlights in Charts

3-Year Forward P/E Band



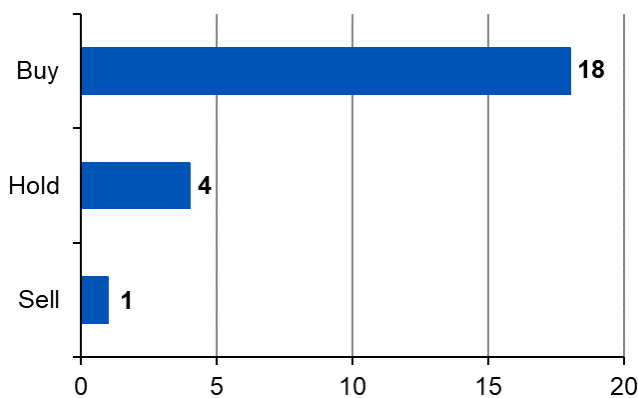
Source: Bloomberg, NHKS Research

3-Year Discount to NAV Band



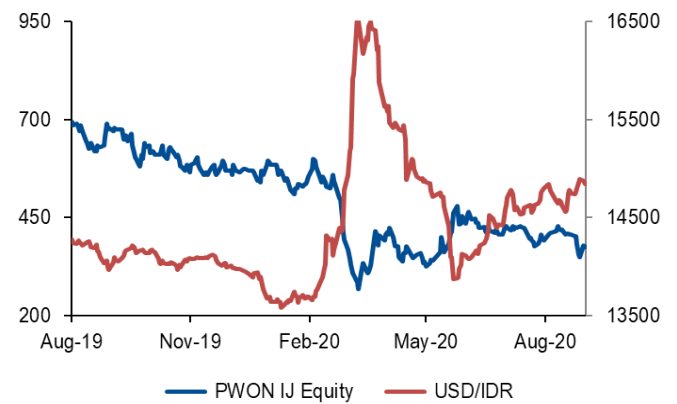
Source: Bloomberg, NHKS Research

Recommendations by Analysts



Source: Bloomberg, NHKS Research

Stock and USDIDR Correlated Positively



Source: Bloomberg, NHKS Research

Closing and Target Price Update



Source: Bloomberg, NHKS Research

Rating and Target Price Update

Date	Rating	Target price	Consensus
31/10/2018	Buy	600	663
10/12/2018	Buy	725	675
30/12/2019	Buy	750	709
01/07/2020	Buy	545	546
16/09/2020	Buy	440	533

Source: NHKS Research

NHKS Stock Ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Buy: greater than +15%, Hold: -15% to +15%, Sell: less than -15%.

Summary of Financials

INCOME STATEMENT

(IDR bn)	2019/12A	2020/12E	2021/12E	2022/12E
Revenues	7,202	4,149	4,773	5,856
Growth (% y/y)	1.7%	-42.4%	15.0%	22.7%
Cost of Revenues	(3,144)	(2,014)	(2,236)	(2,761)
Gross Profit	4,058	2,136	2,537	3,095
Gross Margin	56.3%	51.5%	53.2%	52.9%
Operating Expenses	(997)	(641)	(699)	(881)
EBIT	3,061	1,495	1,838	2,214
EBIT Margin	42.5%	36.0%	38.5%	37.8%
Depreciation	731	806	523	547
EBITDA	3,791	2,301	2,362	2,762
EBITDA Margin	52.6%	55.5%	49.5%	47.2%
Interest Expenses	(220)	(195)	(187)	(175)
EBT	3,271	1,382	1,642	2,092
Income Tax	(31)	(22)	(21)	(29)
Minority Interest	(520)	(148)	(219)	(251)
Net Profit	2,720	1,212	1,403	1,811
Growth (% y/y)	7.1%	-55.4%	15.7%	29.1%
Net Profit Margin	37.8%	29.2%	29.4%	30.9%

PROFITABILITY & STABILITY

	2019/12A	2020/12E	2021/12E	2022/12E
ROE	16.3%	6.8%	7.9%	9.5%
ROA	10.6%	4.6%	5.0%	6.2%
ROIC	13.2%	6.8%	8.1%	9.1%
Cash Dividend (IDR bn)	289	337	337	166
Dividend Yield	1.1%	1.6%	1.6%	0.8%
Payout Ratio	10.6%	27.8%	24.0%	9.2%
DER	26.5%	24.0%	23.0%	20.0%
Net Gearing	306.3%	268.2%	267.8%	255.3%
LT Debt to Equity	21.5%	20.8%	20.2%	16.9%
Capitalization Ratio	21.0%	19.4%	18.7%	16.7%
Equity Ratio	69.3%	64.6%	63.8%	66.3%
Debt Ratio	18.4%	15.5%	14.7%	13.3%
Financial Leverage	153.0%	149.4%	155.9%	153.7%
Current Ratio	285.9%	230.7%	219.4%	246.6%
Par Value (IDR)	25	25	25	25
Total Shares (mn)	48,160	48,160	48,160	48,160
Share Price (IDR)	570	440	440	440
Market Cap (IDR tn)	27.5	21.2	21.2	21.2

BALANCE SHEET

(IDR bn)	2019/12A	2020/12E	2021/12E	2022/12E
Cash	4,313	4,028	4,722	5,609
Receivables	808	152	385	496
Inventories	3,531	4,928	5,149	5,279
Total Current Assets	9,643	10,186	11,404	12,589
Net Fixed Assets	13,262	13,376	13,483	13,766
Other Non Current Assets	3,191	3,541	3,715	3,803
Total Assets	26,095	27,103	28,603	30,157
Payables	334	121	288	272
ST Debt	912	558	516	626
LT Debt	3,885	3,643	3,679	3,372
Total Liabilities	8,000	9,599	10,367	10,168
Capital Stock + APIC	1,566	1,566	1,566	1,566
Retained Earnings	13,401	13,009	14,071	15,697
Shareholders' Equity	18,096	17,504	18,236	19,989

VALUATION INDEX

	2019/12A	2020/12E	2021/12E	2022/12E
Price /Earnings	10.1x	17.5x	15.1x	11.7x
Price /Book Value	1.5x	1.2x	1.2x	1.1x
Price/Revenue	3.8x	5.1x	4.4x	3.6x
PE/EPS Growth	0.2x	-0.3x	1.0x	0.4x
EV/EBITDA	7.4x	9.3x	8.7x	7.1x
EV/EBIT	9.1x	14.3x	11.2x	8.8x
EV (IDR bn)	27,934	21,363	20,662	19,579
Revenues CAGR (3-Yr)	15.9%	-5.0%	-5.8%	-6.1%
EPS CAGR (3-Yr)	29.2%	-10.1%	-9.2%	-10.6%
Basic EPS (IDR)	56	25	29	38
Diluted EPS (IDR)	56	25	29	38
BVPS (IDR)	376	363	379	415
Revenue PS (IDR)	150	86	99	122
DPS (IDR)	6.0	7.0	7.0	3.4

CASH FLOW STATEMENT

(IDR bn)	2019/12A	2020/12E	2021/12E	2022/12E
Operating Cash Flow	1,770	1,745	2,226	1,858
Investing Cash Flow	(886)	(956)	(855)	(718)
Financing Cash Flow	(1,046)	(1,085)	(678)	(254)
Net Changes in Cash	(161)	(295)	694	887

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	85.3 PT Pakuwon A	68.7
United States	7.2 Vanguard Group Inc	1.8
Luxembourg	3.8 Fil Ltd	1.4
Others	3.7 Others	28.2

Source: Company Data, NHKS Research

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