

# Pakuwon Jati Tbk (PWON)

## Top Line Increases, Indicates Business Recovery

PWON booked an impressive 3Q20 income at IDR1.07 trillion or +10.9% above our estimates and increased 231% QoQ. The gain was supported by all income segments including condominium and office sales, indicating PWON business recovery. Meanwhile, until September, marketing sales have reached IDR725 billion or 68.4% of the target. We are optimistic that PWON can continue performance recovery in 4Q20 supported by better mobility and purchasing power.

### Income Rebound in 3Q20

PWON 3Q20 income was recorded at IDR1.07 trillion (-38.2% YoY vs IDR1.73 trillion 3Q19) or +10.9% above our estimation at IDR967 billion. On a quarterly manner, PWON's income increased significantly by 231% QoQ (vs IDR324 billion in 2Q20). This in turn increased GPM and OPM to 50.3% and 38.1% compared to 2Q20 when PWON booked loss on both gross profit and operating profit. Meanwhile the increase in loss due to exchange rate gap in 3Q20 amounted to IDR138 billion, meaning PWON's profit was at IDR118 billion or down by -85% YoY and -71.6% QoQ. The profit is -64.3% below our expectation.

### All Income Segments Increase

The increase in income was supported by gains in all segments. Development income, sales of offices and condominiums jumped by IDR462 billion (+510% QoQ), as the share in income also rose to 43% in 3Q20 (vs 23% 2Q20). Sales of land and building reached IDR22 billion (+364% QoQ). From recurring income, the rental and service charge segment with income share of 43%, booked 178% QoQ increase to IDR458 billion, followed by the hotel segment that recorded IDR27 billion. Annually, income still decreased, but quarterly performance recovery indicated improvement in PWON's business. This was supported by PSBB relaxation in the third quarter that improved property purchasing power and extended, relaxed shopping centers operating hours.

### Optimistic Top Line and Bottom Line Improve in 4Q20

PWON is able to maintain its debt to equity ratio (DER) level at 0.25x or lower than other property companies. Marketing sales until September 2020 reached IDR725 billion or 68.4% of this year's target. We are optimistic that PWON's performance in 4Q20 will grow compared to 3Q20, supported by the F&B tenants in shopping centers that are already operating by implementing health protocols and started to look busy with visitors. This made PWON retract the extension of rental fee payment tenor. Several long holidays at the end of this year and improved mobility can also increase the hotel rental rates. In addition, we predict that rupiah will strengthen at the end of the year in line with the possibility of an increase in the flow of foreign funds to Indonesia due to the passage of Omnibus Law.

### Maintaining BUY Rating with TP IDR615

We revised up PWON's revenue projection in FY20 and FY21 to IDR4.42 trillion (+6.6%) and IDR4.88 trillion (+2.2%) with estimates that the property sector will recover in the future. We maintain BUY rating by revising the target price upward to IDR615 using estimated discount to NAV 62% (+0.7 SD above the 3-year average) as the basis of valuation method. Currently, PWON is traded with discount to NAV of 70%.

### Pakuwon Jati Tbk | Summary

	2019A	2020F	2021F	2022F
Revenue	7,202	4,421	4,879	5,856
Growth (%)	1.7%	-38.6%	10.4%	22.9%
EBITDA	3,791	2,618	2,385	2,776
Net Profit	2,720	1,092	1,471	1,710
EPS (IDR)	56	23	31	35
Growth (%)	45.2%	-59.8%	34.7%	16.2%
P/E	10.1x	27.1x	20.1x	17.3x
P/BV	1.5x	1.7x	1.6x	1.5x
EV/EBITDA	7.4x	11.4x	12.2x	10.2x
ROE (%)	16.3%	6.1%	8.1%	8.8%
DER (%)	26.5%	24.0%	23.0%	20.0%
Dividend Yield	1.1%	0.0%	0.4%	0.4%

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research  
Please consider the rating criteria & important disclaimer

### Company Update | Nov 20, 2020

## BUY

Target Price (IDR)	615
Consensus Price (IDR)	531
TP to Consensus Price	+15.8%
vs. Last Price	+24.5%

### Shares data

Last Price (IDR)	494
Price Date as of	Nov 18, 2020
52 wk Range (Hi/Lo)	610/266
Free Float (%)	31.3
Outstanding sh.(mn)	48,160
Market Cap (IDR bn)	23,791
Market Cap (USD mn)	1,685
Avg. Trd Vol - 3M (mn)	115
Avg. Trd Val - 3M (bn)	46.49
Foreign Ownership	14.9%

### Property

#### Real Estate Owner & Developer

Bloomberg	PWON IJ
Reuters	PWON.JK

### Share Price Performance



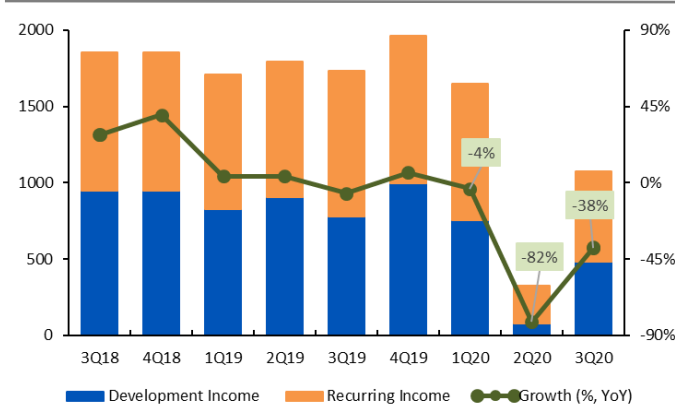
	YTD	1M	3M	12M
Abs. Ret.	-9.4%	21.7%	21.7%	-16.3%
Rel. Ret.	1.8%	13.3%	16.7%	-7.0%

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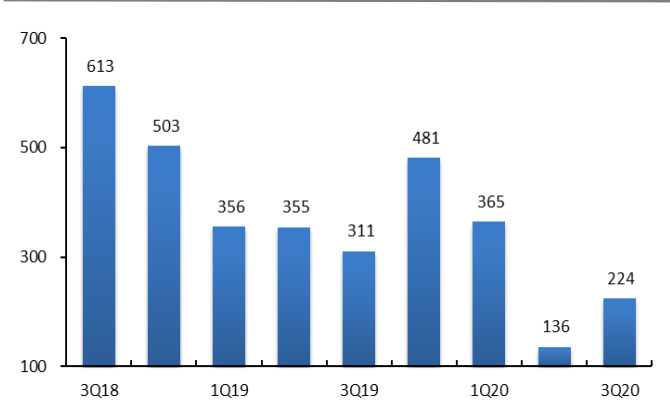
## Performance Highlights in Charts

PWON Quarterly Revenue (IDR bn) | 3Q18 - 3Q20



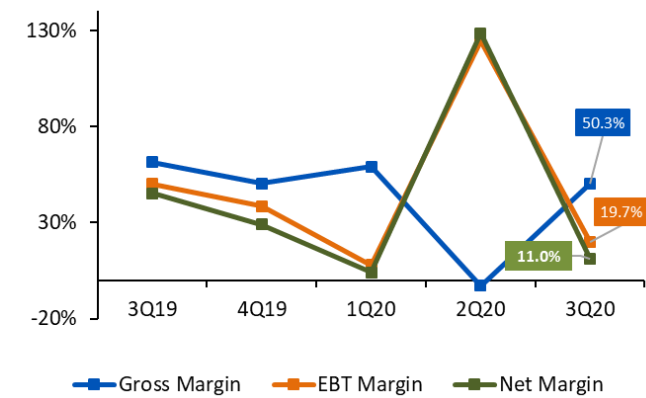
Source: Company Data, NHKSI Research

PWON Quarterly Marketing Sales (IDR bn) | 3Q18 - 3Q20



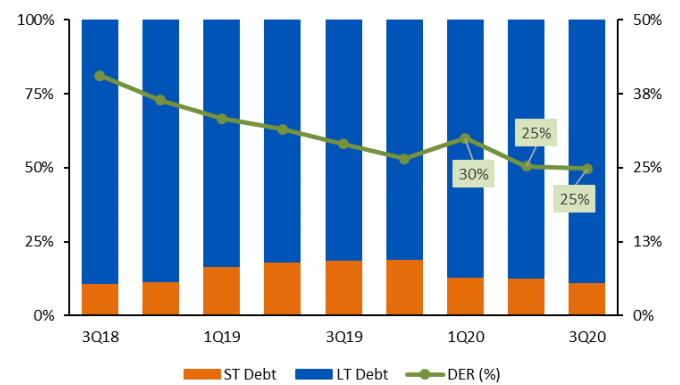
Source: Company Data, NHKSI Research

Margin Ratios | 3Q19 - 3Q20



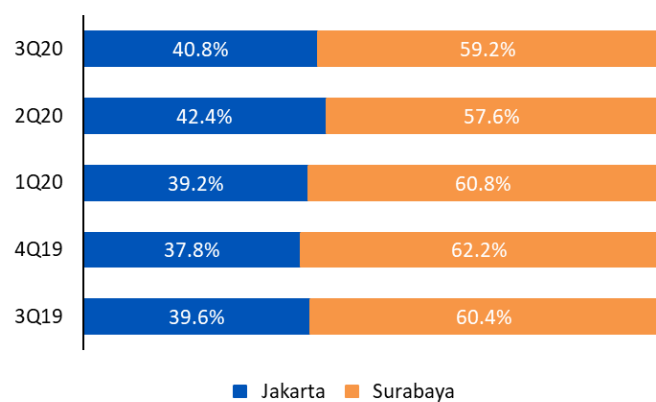
Source: Company Data, NHKSI Research

PWON Debt Portion | 3Q18 - 3Q20



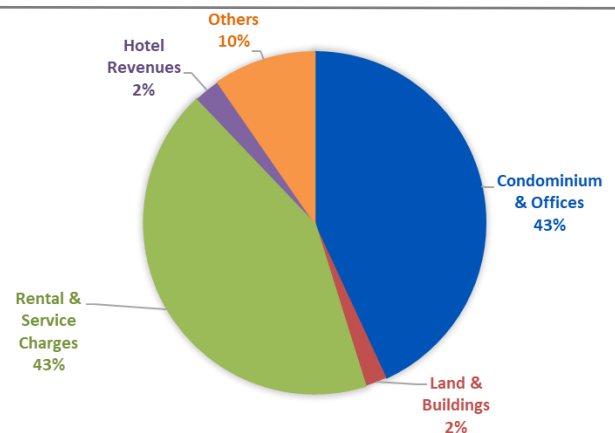
Source: Company Data, NHKSI Research

PWON Revenue by Geography | 3Q19 - 3Q20



Source: Company Data, NHKSI Research

PWON Revenue Breakdown | 3Q20



Source: Company Data, NHKSI Research

## Quarterly Review

	3Q19	4Q19	1Q20	2Q20	3Q20					4Q20E
					Actual	Estimate	Y-Y	Q-Q	Surprise	
<b>Income statement</b>										
Revenue	1,735	1,962	1,962	324,	1,073,	967	-38.2%	231.4%	10.9%	1,375
Gross Profit	1,066	990	977	-9	540	533	-49.3%		1.3%	721
EBIT	824	694	758	-131	409	416	-50.4%		-1.8%	513
EBITDA	1,017	911	970	208	789	535	-22.4%	279.3%	-47.4%	651
Net Profit	<b>785</b>	<b>569</b>	<b>67</b>	<b>416</b>	<b>118</b>	<b>331</b>	<b>-85.0%</b>	<b>-71.6%</b>	<b>-64.3%</b>	<b>490</b>
<b>Margin</b>										
Gross Margin	61.4%	50.5%	59.2%	-2.9%	50.3%	55.1%	-11.1%	53.3%	-8.7%	52.5%
EBIT Margin	47.5%	35.4%	45.9%	-40.5%	38.1%	43.0%	-9.4%	78.6%	-11.4%	37.3%
EBITDA Margin	58.6%	46.4%	58.8%	64.2%	73.5%	55.3%	14.9%	9.3%	32.9%	47.4%
Net Profit Margin	45.2%	29.0%	4.0%	128.5%	11.0%	34.2%	-34.2%	-117.5%	-67.8%	35.7%

Unit: IDR bn, %

Source: Company Data, NHKSI Research

## Earnings Revision

		2020F	2021F	2022F
<b>Income Statement</b>				
Revenue	-Revised	4,421	4,879	5,995
	-Previous	4,149	4,773	5,856
	-Change	6.6%	2.2%	2.4%
Gross Profit	-Revised	2,229	2,552	3,093
	-Previous	2,136	2,537	3,095
	-Change	4.4%	0.6%	-0.1%
EBIT	-Revised	1,549	1,839	2,194
	-Previous	1,495	1,838	2,214
	-Change	3.6%	0.0%	-0.9%
EBITDA	-Revised	2,618	2,385	2,776
	-Previous	2,301	2,362	2,762
	-Change	13.8%	1.0%	0.5%
Net Profit	-Revised	<b>1,092</b>	<b>1,471</b>	<b>1,710</b>
	-Previous	<b>1,212</b>	<b>1,403</b>	<b>1,811</b>
	-Change	-9.9%	4.8%	-5.6%
<b>Margin</b>				
Gross Margin	-Revised	50.4%	52.3%	51.6%
	-Previous	51.5%	53.2%	52.9%
EBIT Margin	-Revised	35.0%	37.7%	36.6%
	-Previous	36.0%	38.5%	37.8%
EBITDA Margin	-Revised	59.2%	48.9%	46.3%
	-Previous	55.5%	49.5%	47.2%
Net Profit Margin	-Revised	24.7%	30.1%	28.5%
	-Previous	29.2%	29.4%	30.9%

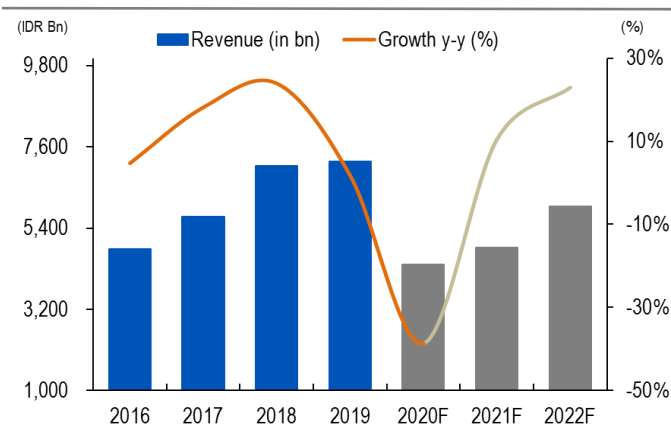
Unit: IDR bn, %

Source: Company Data, NHKSI Research

## Company Overview

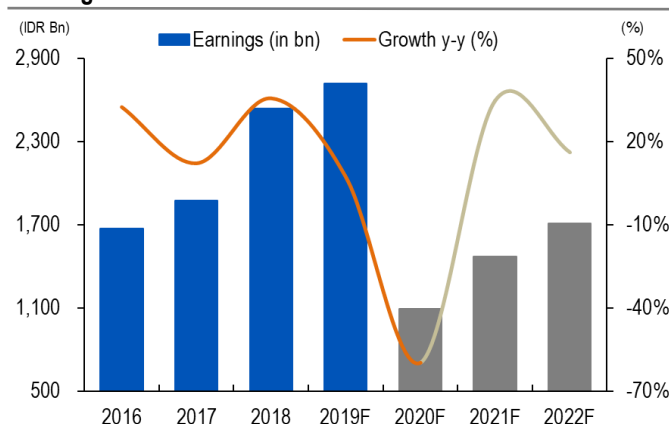
- PWON is one of the property developers to focus on developing shopping centers, condominiums, office spaces, or superblocks. Its developed projects are mainly situated in strategic areas in Jakarta (42.4%), Surabaya (57.6%) and marketed to the upper-to-middle income group.
- It has varied superblocks (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 ration 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, NHKSI Research

### Earnings and Growth Movements



Source: Company Data, NHKSI 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
<b>Indonesia</b>										
BSDE	BSDE IJ EQUITY	1,612	3,932	424	66	-68.36%	15.5%	3.3%	22.7x	0.8x
CTRA	CTRA IJ EQUITY	1,203	2,614	507	72	-21.04%	14.2%	7.0%	16.3x	1.1x
PWON	PWON IJ EQUITY	1,685	1,885	346	81	-59.83%	23.4%	8.1%	20.3x	1.7x
SMRA	SMRA IJ EQUITY	797	1,765	331	13	-66.40%	3.9%	2.6%	59.8x	1.6x
<b>Singapore</b>										
Capitaland Ltd	CAPL SP EQUITY	11,617	61,242	4,433	981	-20.79%	22.1%	5.86%	11.2x	0.6x
<b>Malaysia</b>										
SP Setia Bhd	SPSB MK EQUITY	804	7,345	691	-73	-81.16%	-10.5%	-3.13%	-	0.3x
IOI Properties Group Bhd	IOIPG MK EQUITY	1,307	7,679	503	108	-31.09%	21.5%	2.41%	11.7x	0.3x
<b>Thailand</b>										
Land & Houses PUB Co Ltd	LH TB EQUITY	3,054	3,802	922	293	9.95%	31.8%	18.39%	10.2x	1.9x
WHA Corp PCL	WHA TB EQUITY	1,370	2,765	239	78	-26.52%	32.6%	8.54%	17.0x	1.5x
<b>Philippines</b>										
Megaworld Corp	MEG PM EQUITY	2,576	6,896	950	250	-25.14	26.3%	7.03%	10.1x	0.7x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

## Valuation Highlights in Charts

### 3-Year Forward P/E Band



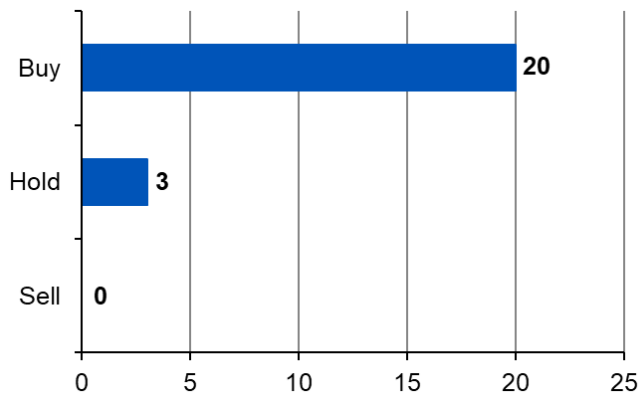
Source: Bloomberg, NHKS Research

### 3-Year Discount to NAV Band



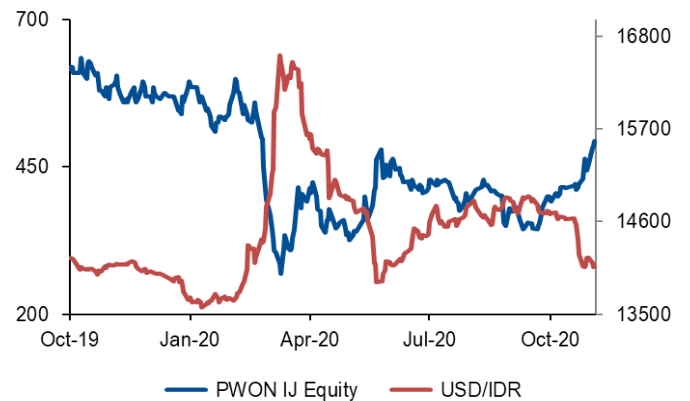
Source: Bloomberg, NHKS Research

### Recommendations by Analysts



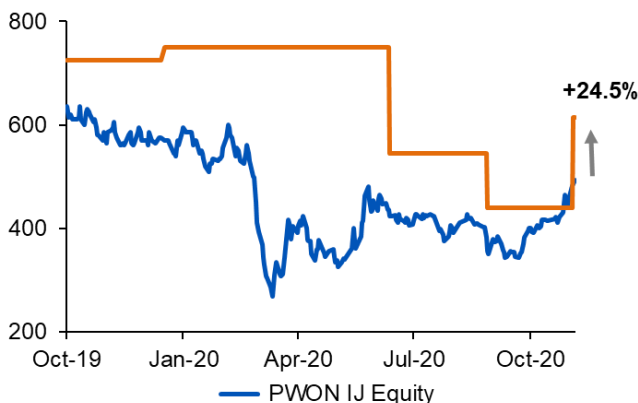
Source: Bloomberg, NHKS Research

### 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
20/11/2020	Buy	615	513

Source: NHKS Research

### NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Rating system based on a stock's potential upside from the date of publication
  - Buy : Greater than +15%
  - Overweight : +5% to 15%
  - Hold : -5% to +5%
  - Underweight : -5% to -15%
  - Sell : Less than -15%

## Summary of Financials

## INCOME STATEMENT

(IDR bn)	2019/12A	2020/12E	2021/12E	2022/12E
<b>Revenues</b>	<b>7,202</b>	<b>4,421</b>	<b>4,879</b>	<b>5,995</b>
Growth (% y/y)	1.7%	-38.6%	10.4%	22.9%
Cost of Revenues	(3,144)	(2,193)	(2,327)	(2,902)
<b>Gross Profit</b>	<b>4,058</b>	<b>2,229</b>	<b>2,552</b>	<b>3,093</b>
Gross Margin	56.3%	50.4%	52.3%	51.6%
Operating Expenses	(997)	(680)	(713)	(899)
<b>EBIT</b>	<b>3,061</b>	<b>1,549</b>	<b>1,839</b>	<b>2,194</b>
EBIT Margin	42.5%	35.0%	37.7%	36.6%
Depreciation	731	1,069	546	582
<b>EBITDA</b>	<b>3,791</b>	<b>2,618</b>	<b>2,385</b>	<b>2,776</b>
EBITDA Margin	52.6%	59.2%	48.9%	46.3%
Interest Expenses	(220)	(182)	(183)	(170)
<b>EBT</b>	<b>3,271</b>	<b>1,336</b>	<b>1,784</b>	<b>2,083</b>
Income Tax	(31)	(25)	(25)	(34)
Minority Interest	(520)	(219)	(288)	(339)
<b>Net Profit</b>	<b>2,720</b>	<b>1,092</b>	<b>1,471</b>	<b>1,710</b>
Growth (% y/y)	7.1%	-59.8%	34.7%	16.2%
Net Profit Margin	37.8%	24.7%	30.1%	28.5%

## PROFITABILITY &amp; STABILITY

	2019/12A	2020/12E	2021/12E	2022/12E
ROE	16.3%	6.1%	8.1%	8.8%
ROA	10.6%	4.0%	5.2%	5.7%
ROIC	13.2%	6.9%	7.9%	8.9%
Cash Dividend (IDR bn)	337	-	105	112
Dividend Yield	1.2%	0.0%	0.4%	0.4%
Payout Ratio	12.4%	0.0%	7.1%	6.6%
DER	26.5%	24.0%	23.0%	20.0%
Net Gearing	306.3%	271.5%	273.1%	259.5%
LT Debt to Equity	21.5%	21.0%	20.2%	16.9%
Capitalization Ratio	21.0%	19.4%	18.7%	16.7%
Equity Ratio	69.3%	63.2%	65.5%	65.1%
Debt Ratio	18.4%	15.2%	15.1%	13.0%
Financial Leverage	153.0%	151.1%	155.4%	153.2%
Current Ratio	285.9%	212.1%	231.1%	221.0%
Par Value (IDR)	25	25	25	25
Total Shares (mn)	48,160	48,160	48,160	48,160
Share Price (IDR)	570	615	615	615
Market Cap (IDR tn)	27.5	29.6	29.6	29.6

## BALANCE SHEET

(IDR bn)	2019/12A	2020/12E	2021/12E	2022/12E
Cash	4,313	4,068	4,832	5,472
Receivables	808	220	330	573
Inventories	3,531	5,679	4,809	6,152
<b>Total Current Assets</b>	<b>9,643</b>	<b>11,042</b>	<b>11,115</b>	<b>13,397</b>
Net Fixed Assets	13,262	13,602	13,817	14,301
Other Non Current Assets	3,191	3,383	3,478	3,526
<b>Total Assets</b>	<b>26,095</b>	<b>28,027</b>	<b>28,411</b>	<b>31,224</b>
Payables	334	203	222	367
ST Debt	912	532	526	636
LT Debt	3,885	3,720	3,751	3,428
<b>Total Liabilities</b>	<b>8,000</b>	<b>10,309</b>	<b>9,814</b>	<b>10,904</b>
Capital Stock + APIC	1,566	1,566	1,566	1,566
Retained Earnings	13,401	13,242	14,432	16,029
<b>Shareholders' Equity</b>	<b>18,096</b>	<b>17,717</b>	<b>18,597</b>	<b>20,321</b>

## VALUATION INDEX

	2019/12A	2020/12E	2021/12E	2022/12E
Price /Earnings	10.1x	27.1x	20.1x	17.3x
Price /Book Value	1.5x	1.7x	1.6x	1.5x
Price/Revenue	3.8x	6.7x	6.1x	4.9x
PE/EPS Growth	0.2x	-0.5x	0.6x	1.1x
EV/EBITDA	7.4x	11.4x	12.2x	10.2x
EV/EBIT	9.1x	19.2x	15.8x	12.9x
EV (IDR bn)	27,934	29,803	29,064	28,211
Revenues CAGR (3-Yr)	15.9%	-3.0%	-5.1%	-5.4%
EPS CAGR (3-Yr)	29.2%	-13.2%	-7.7%	-12.3%
Basic EPS (IDR)	56	23	31	35
Diluted EPS (IDR)	56	23	31	35
BVPS (IDR)	376	368	386	422
Revenue PS (IDR)	150	92	101	124
DPS (IDR)	7.0	-	2.2	2.3

## CASH FLOW STATEMENT

(IDR bn)	2019/12A	2020/12E	2021/12E	2022/12E
Operating Cash Flow	1,770	1,739	2,317	1,791
Investing Cash Flow	(886)	(1,069)	(986)	(953)
Financing Cash Flow	(1,046)	(943)	(567)	(199)
<b>Net Changes in Cash</b>	<b>(161)</b>	<b>(273)</b>	<b>764</b>	<b>640</b>

## OWNERSHIP

By Geography	% Shareholders	%
Indonesia	85.1 PT Pakuwon A	68.7
United States	7.2 Vanguard Group Inc	1.8
Luxembourg	3.8 Invesco Ltd	1.5
Others	3.8 Others	28.1

Source: Company Data, NHKS Research

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