

# Pakuwon Jati Tbk (PWON)

## Balance Sheet Remains Strong after Asset Acquisition

Amid the large portion of revenue from recurring income, PWON must be able to carry out cost efficiency, in order to maintain margin level. Lower revenue (-44.8% YoY) resulted in PWON's profit dropping 65.8% YoY. Meanwhile, asset acquisition and the opening of hotel & mall at the end of last year raised optimism for the growth of recurring income this year.

### Two Income Segments Dropped

- FY20 income was booked at IDR3.97 trillion (-44.8% YoY vs IDR7.2 trillion FY19) or 10% lower than our projection.
- Direct expenses such as building expenses, personnel expenses, and hotel operating expenses decreased but not significantly, causing the GPM of the non-real estate segment (rental segment) to drop to 38.5% (vs 52.7% FY19).
- We see that PWON is still having trouble controlling direct expenses, as its own recurring income went down by 37.7% YoY.
- On the other hand, development income also fell 52.2% YoY. Sales of condominiums and office buildings dropped to IDR1.19 trillion (-61% YoY).
- FY20 profit was recorded at IDR930 billion (-65.8% YoY vs Rp2.72 trillion FY19) or 14.8% below our estimate.

### Impact of Mall Acquisition and Opening of Hotel & Mall

- At the end of 2020, PWON launched The Westin Hotel-Jakarta and Pakuwon City Mall-Surabaya. In addition, PWON also acquired Hartono Mall Solo, Hartono Mall and Marriot Hotel Yogyakarta.
- PWON fully relied on existing cash to do the acquisition worth IDR1.35 trillion. As a result, PWON's cash fell 33% YoY to IDR2.88 trillion in FY20.
- However, we assess that PWON's balance sheet and financial cash flow are still strong. DER per FY20 is only 0.22x and Debt Ratio is 0.15x.
- Apart from diversifying the business geographically, assets acquired by PWON are the biggest malls in Solo and Yogyakarta. This is beneficial for PWON, as it will increase recurring income. Especially when the pandemic slows down and mobility increases.

### Maintain BUY with TP of IDR645

- In FY21, we estimate revenue and net profit to grow 32.2% YoY and 46.9% YoY. On a quarterly basis, the demand for commercial properties grew slowly by 0.03% in 4Q20.
- We maintain our buy rating by revising TP to IDR645 using the estimated discount to NAV of 64.1% (-0.6 SD average for the last 3 years) as the basis of valuation. Currently, PWON is traded at a discount to NAV of 67.6%.
- Risks in our TP include: 1) Increasing Covid-19 cases, 2) Tighter social restrictions, 3) Slow progress of vaccination program.

### Pakuwon Jati Tbk | Summary

	2019A	2020A	2021F	2022F
Revenue	7,202	3,977	5,259	6,092
Growth	1.7%	-44.8%	32.2%	15.8%
Net Profit	2,720	930	1,366	1,642
Growth	7.1%	-65.8%	46.9%	20.2%
EPS (IDR)	56	19	28	34
P/E	10.1x	26.4x	22.7x	18.9x
P/BV	1.5x	1.4x	1.7x	1.5x
EV/EBITDA	7.8x	14.2x	12.2x	11.1x
ROE	0.2x	0.1x	0.1x	0.1x
DER	0.3x	0.2x	0.2x	0.3x
Dividend Yield	1.2%	0.0%	0.3%	0.6%

Unit: IDR bn, %, x

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

Company Update | April 23, 2021

## BUY

Target Price (IDR)	645
Consensus Price (IDR)	636
TP to Consensus Price	+1.4%
vs. Last Price	+27.7%

### Shares data

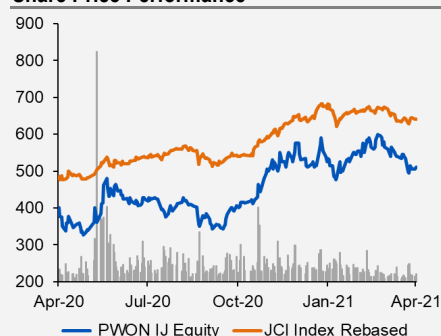
Last Price (IDR)	505
Price Date as of	Apr 22, 2021
52 wk Range (Hi/Lo)	615/312
Free Float (%)	31.3
Outstanding sh.(mn)	48,160
Market Cap (IDR bn)	24,561
Market Cap (USD mn)	1,688
Avg. Trd Vol - 3M (mn)	74
Avg. Trd Val - 3M (bn)	39.70
Foreign Ownership	14.5%

### Property

#### Real Estate Owner & Developer

Bloomberg	PWON IJ
Reuters	PWON.JK

### Share Price Performance



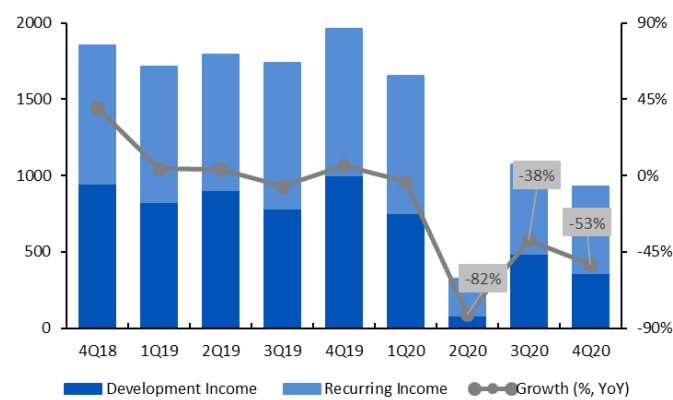
	YTD	1M	3M	12M
Abs. Ret.	-1.9%	-9.7%	-4.7%	27.5%
Rel. Ret.	9.3%	-4.7%	1.4%	-4.5%

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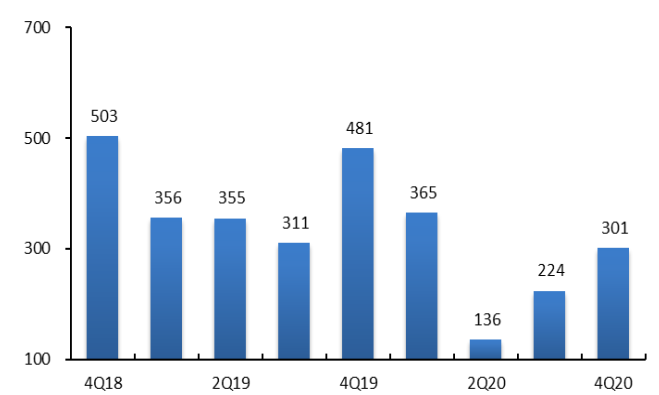
## Performance Highlights in Charts

PWON Quarterly Revenue (IDR bn) | 4Q18 - 4Q20



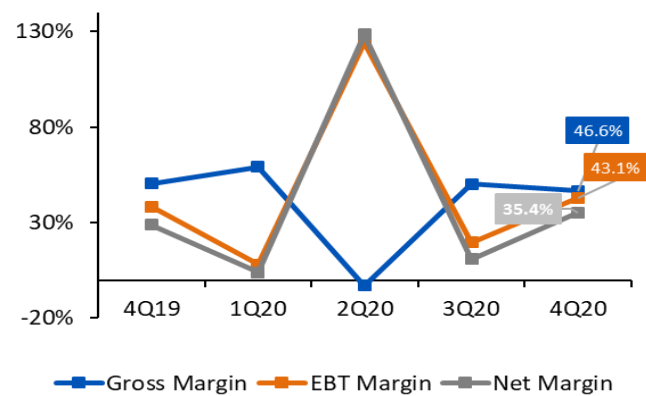
Source: Company Data, NHKSI Research

PWON Quarterly Marketing Sales (IDR bn) | 4Q18 - 4Q20



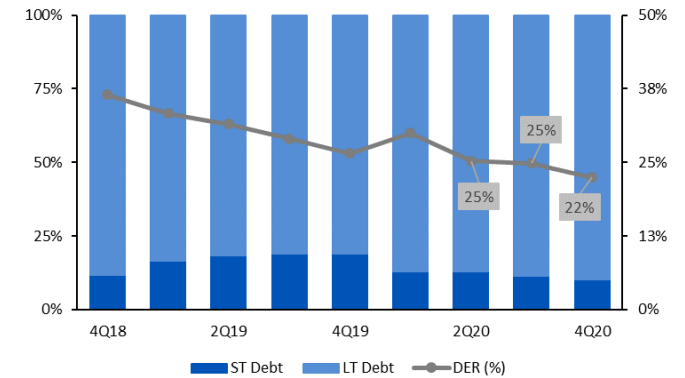
Source: Company Data, NHKSI Research

Margin Ratios | 4Q19 - 4Q20



Source: Company Data, NHKSI Research

PWON Debt Portion | 4Q18 - 4Q20



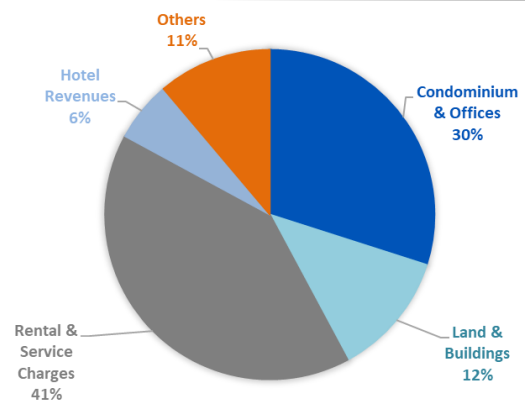
Source: Company Data, NHKSI Research

Occupancy Rate PWON Mall Portfolio | 2018 - 2020

Occupancy		2018	2019	2020
Jakarta	Kota Kasablanka Mall	99%	99%	99%
	Gandaria City Mall	94%	98%	92%
	Blok M Plaza	96%	97%	93%
Surabaya	Tunjungan Plaza	96%	96%	93%
	Pakuwon Mall	95%	96%	90%
	Pakuwon Trade Center	92%	92%	88%
	Royal Plaza	96%	94%	91%
Central Java	Pakuwon City Mall	-	-	74%
	Hartono Mall Yogyakarta	-	-	88%
	Hartono Mall Solo	-	-	97%

Source: Company Data, NHKSI Research

PWON Revenue Breakdown | FY20



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.



PT. Pakuwon Jati Tbk

PWON 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.

## 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	1,717	4,371	425	19	-89.91%	4.6%	0.9%	92.6x	0.8x
CTRA	CTRA IJ EQUITY	1,518	2,819	555	91	14.06%	16.4%	8.6%	16.6x	1.4x
PWON	PWON IJ EQUITY	1,688	1,900	273	64	-65.81%	23.4%	6.3%	26.4x	1.7x
SMRA	SMRA IJ EQUITY	987	1,790	346	12	-65.08%	3.6%	2.5%	79.8x	2.1x
<b>Singapore</b>										
Capitaland Ltd	CAPL SP EQUITY	14,601	63,854	4,739	(1,142)	-	-24.1%	-6.89%	#N/A N/A	0.9x
<b>Malaysia</b>										
SP Setia Bhd	SPSB MK EQUITY	1,035	7,556	769	(76)	-	-9.9%	-3.23%	#N/A N/A	0.4x
IOI Properties Group Bhd	IOIPG MK EQUITY	1,846	7,679	539	115	-29.58%	21.3%	2.54%	15.7x	0.4x
<b>Thailand</b>										
Land & Houses PUB Co Ltd	LH TB EQUITY	3,260	4,086	949	229	-28.73%	24.1%	13.96%	14.3x	2.0x
WHA Corp PCL	WHA TB EQUITY	1,593	2,754	221	81	-21.85%	36.5%	8.66%	19.8x	1.7x
<b>Philippines</b>										
Megaworld Corp	MEG PM EQUITY	2,163	7,825	792	199	-44.87%	25.2%	5.43%	10.8x	0.6x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

## Valuation Highlights in Charts

3-Year Forward P/E Band



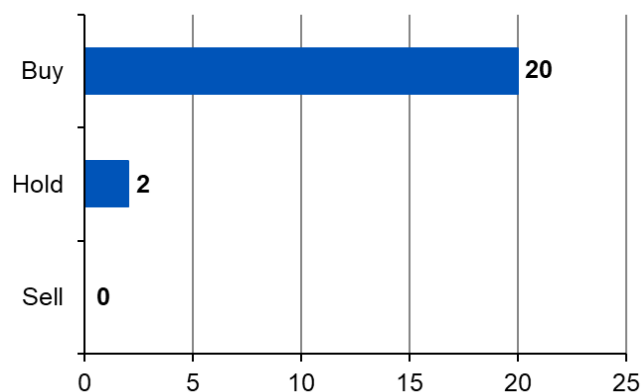
Source: Bloomberg, NHKS Research

3-Year Discount to NAV Band



Source: Bloomberg, NHKS Research

Recommendations by Analysts



Source: Bloomberg, NHKS Research

Closing and Target Price Update



Source: Bloomberg, NHKS Research

## Rating and Target Price Update

Target Price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
30/12/2019	Buy	750	570	709	31.6%	5.8%
30/06/2020	Buy	545	416	546	31.0%	-0.2%
16/09/2020	Buy	440	374	533	17.6%	-17.4%
20/11/2020	Buy	615	494	531	24.5%	15.8%
23/04/2021	Buy	645	505	636	27.7%	1.4%

Source: NHKSI Research, Bloomberg

## Summary of Financials

### INCOME STATEMENT

(IDR bn)	2019/12A	2020/12A	2021/12E	2022/12E
<b>Revenues</b>	<b>7,202</b>	<b>3,977</b>	<b>5,259</b>	<b>6,092</b>
Growth (% y/y)	1.7%	-44.8%	32.2%	15.8%
Cost of Revenues	(3,144)	(2,036)	(2,564)	(3,034)
<b>Gross Profit</b>	<b>4,058</b>	<b>1,941</b>	<b>2,695</b>	<b>3,058</b>
Gross Margin	56.3%	48.8%	51.2%	50.2%
Operating Expenses	(997)	(681)	(787)	(878)
<b>EBIT</b>	<b>3,061</b>	<b>1,260</b>	<b>1,908</b>	<b>2,180</b>
EBIT Margin	42.5%	31.7%	36.3%	35.8%
Depreciation	502	550	573	618
<b>EBITDA</b>	<b>3,562</b>	<b>1,810</b>	<b>2,480</b>	<b>2,798</b>
EBITDA Margin	49.5%	45.5%	47.2%	45.9%
Interest Expenses	(220)	(198)	(188)	(200)
<b>EBT</b>	<b>3,271</b>	<b>1,149</b>	<b>1,833</b>	<b>2,112</b>
Income Tax	(31)	(30)	(46)	(54)
Minority Interest	(520)	(189)	(421)	(416)
<b>Net Profit</b>	<b>2,720</b>	<b>930</b>	<b>1,366</b>	<b>1,642</b>
Growth (% y/y)	7.1%	-65.8%	46.9%	20.2%
Net Profit Margin	37.8%	23.4%	26.0%	26.9%

### PROFITABILITY & STABILITY

	2019/12A	2020/12A	2021/12E	2022/12E
ROE	16.3%	5.2%	7.5%	8.4%
ROA	10.6%	3.5%	4.9%	5.4%
Inventory Turnover	0.9x	0.5x	0.5x	0.5x
Receivables Turnover	11.8x	8.7x	18.7x	11.4x
Payables turnover	10.0x	6.0x	6.8x	7.1x
Dividend Yield	1.2%	0.0%	0.3%	0.6%
Payout Ratio	12.4%	0.0%	7.5%	10.8%
DER	0.27x	0.22x	0.24x	0.27x
Net Gearing	2.7%	6.0%	2.4%	0.6%
Equity Ratio	69.3%	66.5%	64.8%	62.4%
Debt Ratio	0.18x	0.15x	0.16x	0.17x
Financial Leverage	153.0%	147.2%	152.4%	157.4%
Current Ratio	285.9%	198.1%	214.2%	214.5%
Quick Ratio	181.2%	94.0%	108.9%	108.1%
Par Value (IDR)	25	25	25	25
Total Shares (mn)	48,160	48,160	48,160	48,160
Share Price (IDR)	570	510	645	645
Market Cap (IDR tn)	27.5	24.6	31.1	31.1

### BALANCE SHEET

(IDR bn)	2019/12A	2020/12A	2021/12E	2022/12E
Cash	4,313	2,887	4,070	5,310
Receivables	808	102	459	609
Inventories	3,531	4,512	5,417	6,876
<b>Total Current Assets</b>	<b>9,643</b>	<b>8,590</b>	<b>11,021</b>	<b>13,858</b>
Net Fixed Assets	13,262	14,722	14,965	15,208
Other Non Current Assets	3,191	3,146	3,044	3,127
<b>Total Non Current Assets</b>	<b>16,453</b>	<b>17,869</b>	<b>18,008</b>	<b>18,335</b>
<b>Total Assets</b>	<b>26,095</b>	<b>26,459</b>	<b>29,029</b>	<b>32,193</b>
Payables	334	348	406	449
ST Debt	912	397	494	812
<b>Total Current Liabilities</b>	<b>3,373</b>	<b>4,337</b>	<b>5,145</b>	<b>6,459</b>
LT Debt	3,885	3,547	4,022	4,610
<b>Total Liabilities</b>	<b>8,000</b>	<b>8,860</b>	<b>10,211</b>	<b>12,111</b>
Capital Stock + APIC	1,566	1,566	1,566	1,566
Retained Earnings	13,401	13,049	14,313	15,777
<b>Shareholders' Equity</b>	<b>18,096</b>	<b>17,599</b>	<b>18,818</b>	<b>20,081</b>

### CASH FLOW STATEMENT

(IDR bn)	2019/12A	2020/12A	2021/12E	2022/12E
Operating Cash Flow	1,770	1,419	1,403	1,660
Investing Cash Flow	(886)	(1,761)	(646)	(946)
Financing Cash Flow	(1,046)	(1,084)	426	527
<b>Net Changes in Cash</b>	<b>(161)</b>	<b>(1,426)</b>	<b>1,183</b>	<b>1,240</b>

### VALUATION INDEX

	2019/12A	2020/12A	2021/12E	2022/12E
Price /Earnings	10.1x	26.4x	22.7x	18.9x
PE/EPS Growth	1.4x	-0.4x	0.5x	0.9x
Price /Book Value	1.5x	1.4x	1.7x	1.5x
EV/EBITDA	7.8x	14.2x	12.7x	11.1x
EV (IDR bn)	27,934	25,619	31,509	31,175
Revenues CAGR (3-Yr)	15.9%	-6.3%	-2.7%	-4.9%
Net Income CAGR (3-Yr)	29.2%	-17.7%	-10.0%	-13.5%
Basic EPS (IDR)	56	19	28	34
BVPS (IDR)	376	365	391	417
DPS (IDR)	7.0	-	2.1	3.7

### OWNERSHIP

By Geography	%
Indonesia	85.5
United States	7.0
Luxembourg	3.8
Others	3.8
Shareholders	%
PT Pakuwon A	68.7
Vanguard Group Inc	1.7
Invesco Ltd	1.5
Fil Ltd	1.1
Others	27.0

Source: Company Data, NHKS Research

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

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. 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%

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