

# Pakuwon Jati Tbk (PWON)

## Recovery Hampered by Emergency PPKM

Company Update | July 01, 2021

### BUY

<b>Target Price (IDR)</b>	<b>585</b>
Consensus Price (IDR)	609
TP to Consensus Price	-3.9%
vs. Last Price	+33.0%

#### Shares data

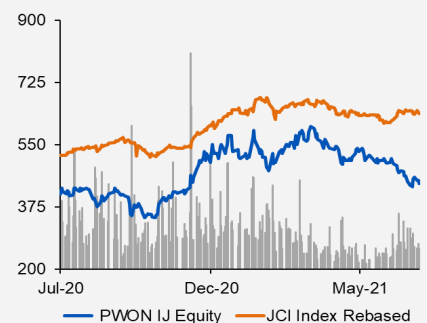
Last Price (IDR)	440
Price Date as of	June 30, 2021
52 wk Range (Hi/Lo)	615/332
Free Float (%)	31.3
Outstanding sh.(mn)	48,160
Market Cap (IDR bn)	21,190
Market Cap (USD mn)	1,458
Avg. Trd Vol - 3M (mn)	49
Avg. Trd Val - 3M (bn)	24.31
Foreign Ownership	14.3%

#### Property

##### Real Estate Owner & Developer

Bloomberg	PWON IJ
Reuters	PWON.JK

#### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-15.4%	-12.0%	-18.5%	5.8%
Rel. Ret.	-13.4%	-12.6%	-18.5%	-16.2%

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PWON's revenue in 1Q21 fell 32.4% YoY. Meanwhile, net profit jumped 254.5% YoY due to lower foreign exchange loss. Entering 2H21, PWON is facing the implementation of Emergency Public Activity Restrictions (PPKM) as Covid-19 cases increase. PWON must be able to increase performance efficiency and implement the right business strategy, to restore this year's performance.

#### Top Line Booked Below Our Estimates

- In 1Q21 PWON booked revenue of IDR1,11 trillion (-32.4% YoY vs IDR1.65 trillion 1Q20) or 25% below our estimates.
- Development income was recorded at IDR506 billion (+40.8% QoQ, -32.7% YoY). Meanwhile, recurring income was at IDR610 billion (+6.8% QoQ, -32.1% YoY).
- The revenue in 1Q21 fell because performance in 1Q20 had not been affected by the pandemic.
- PWON successfully booked net profit of IDR237 billion (+254.5% YoY vs IDR67 billion in 1Q20), due to lower foreign exchange loss (-80% YoY) and derivative gains of IDR55 billion (vs IDR53 billion loss in 1Q20).

#### Optimistic Marketing Sales Will Grow

- PWON achieved marketing sales of IDR427 billion (+17% YoY) or 30% of 2021 target at IDR1.4 trillion.
- PWON still has 5 condominium projects with a saleable area of up to 30%. We see that there is still room for marketing sales in 2021 to grow around 25%-28% YoY.
- Entering 2H21, PWON will face the Emergency PPKM where shopping centres temporarily can not be fully operational.
- We see that PWON must be more efficient, both in using capex or operating expenses. In addition, the extension of the tenant's rental payment period can also be re-applied.

#### Recommend BUY with TP at IDR585

- We estimate the sales of condominiums and landed house will boost revenue, in line with low interest rates and the VAT subsidy program.
- We revised down our FY21 revenue and profit projection to IDR4.46 trillion (-15.1%) and IDR1.1 trillion (-19.4%).
- We maintain buy by revising down our TP to IDR585 to reflect discount to NAV 60.86% (-1SD average of the last 3 years).
- Risks to our TP change are: 1) The high number of Covid-19 cases, 2) Tightened PPKM, 3) Realization of vaccination target.

#### Pakuwon Jati Tbk | Summary

	2020A	2021F	2022F	2023F
Revenue	3,977	4,467	5,232	5,882
Growth	-44.8%	12.3%	17.1%	12.4%
Net Profit	930	1,101	1,523	1,636
Growth	-65.8%	-18.4%	38.3%	7.5%
EPS (IDR)	19	23	32	34
P/E	26.4x	25.6x	18.5x	17.2x
P/BV	1.4x	1.5x	1.4x	1.3x
EV/EBITDA	14.2x	13.5x	10.3x	9.4x
ROE	0.1x	0.1x	0.1x	0.1x
DER	0.2x	0.3x	0.3x	0.2x
Dividend Yield	0.0%	0.0%	0.5%	0.7%

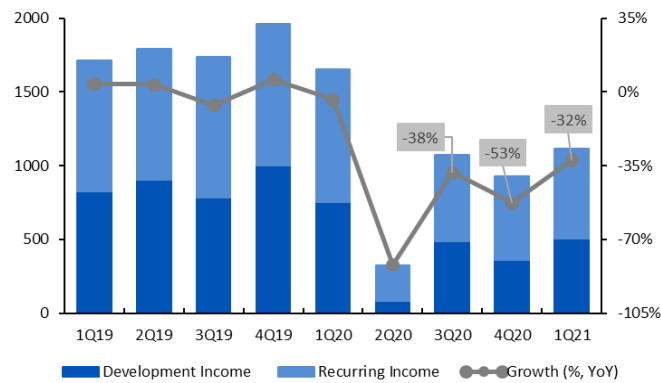
Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

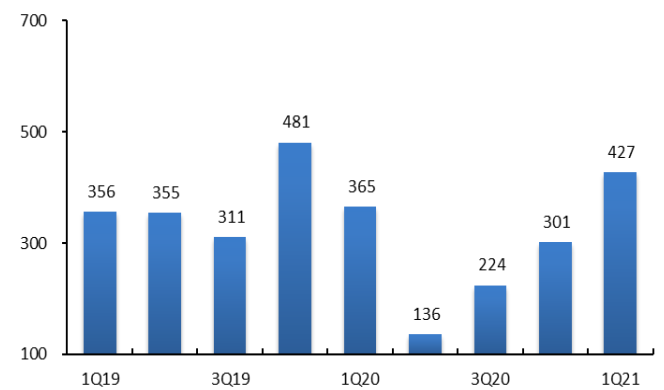
## Performance Highlights in Charts

PWON Quarterly Revenue (IDR bn) | 1Q19 - 1Q21



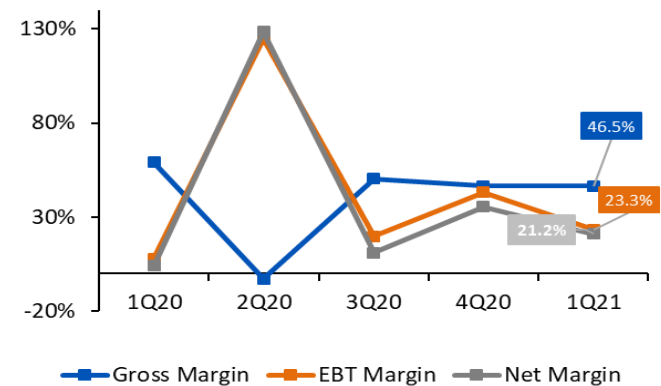
Source: Company Data, NHKSI Research

PWON Quarterly Marketing Sales (IDR bn) | 1Q19 - 1Q21



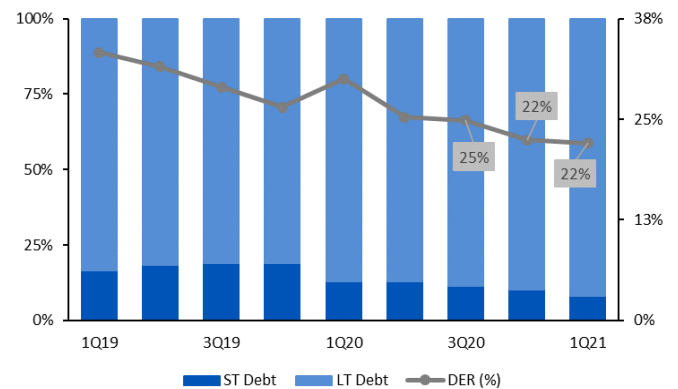
Source: Company Data, NHKSI Research

Margin Ratios | 1Q20 - 1Q21



Source: Company Data, NHKSI Research

PWON Debt Portion | 1Q20 - 1Q21



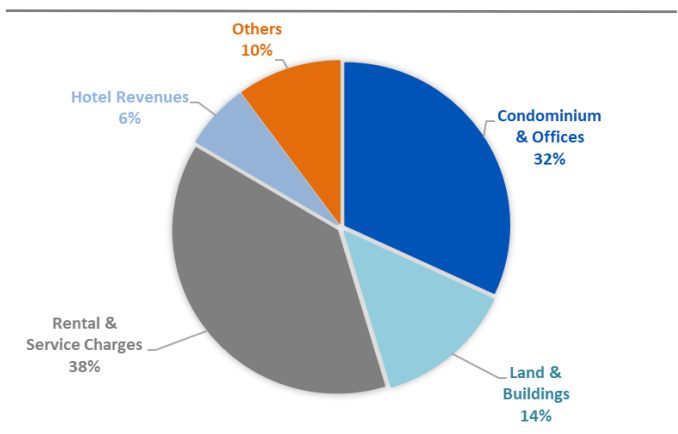
Source: Company Data, NHKSI Research

Occupancy Rate PWON Mall Portfolio | 2019 - 1Q21

	Occupancy	2019	2020	1Q21
Jakarta	Kota Kasablanka Mall	99%	99%	99%
	Gandaria City Mall	98%	92%	92%
	Blok M Plaza	97%	93%	88%
Surabaya	Tunjungan Plaza	96%	93%	92%
	Pakuwon Mall	96%	90%	89%
	Pakuwon Trade Center	92%	88%	89%
	Royal Plaza	94%	91%	91%
	Pakuwon City Mall	-	74%	76%
Central Java	Hartono Mall Yogyakarta	-	88%	85%
	Hartono Mall Solo	-	97%	97%

Source: Company Data, NHKSI Research

PWON Revenue Breakdown | 1Q21



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	1,406	4,371	437	42	-74.91%	9.6%	2.1%	35.5x	0.7x
CTRA	CTRA IJ EQUITY	1,188	2,819	578	95	31.76%	16.5%	9.2%	12.5x	1.1x
PWON	PWON IJ EQUITY	1,458	1,900	237	76	-46.75%	31.9%	7.7%	19.3x	1.4x
SMRA	SMRA IJ EQUITY	963	1,790	348	12	-64.65%	3.6%	2.6%	70.2x	1.8x
<b>Singapore</b>										
Capitaland Ltd	CAPL SP EQUITY	14,359	63,854	4,739	(1,142)	#VALUE!	-24.1%	-6.89%	#N/A N/A	0.9x
<b>Malaysia</b>										
SP Setia Bhd	SPSB MK EQUITY	1,036	7,556	858	(66)	#VALUE!	-7.7%	-2.84%	#N/A N/A	0.4x
IOI Properties Group Bhd	IOIPG MK EQUITY	1,486	7,679	585	141	2.99%	24.2%	3.08%	10.4x	0.3x
<b>Thailand</b>										
Land & Houses PUB Co Ltd	LH TB EQUITY	2,964	4,086	1,006	243	-20.93%	24.2%	14.64%	12.5x	1.8x
WHA Corp PCL	WHA TB EQUITY	1,492	2,754	222	82	-12.41%	37.2%	8.97%	18.7x	1.6x
<b>Philippines</b>										
Megaworld Corp	MEG PM EQUITY	2,107	7,825	699	179	-50.34%	25.6%	4.95%	12.3x	0.6x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

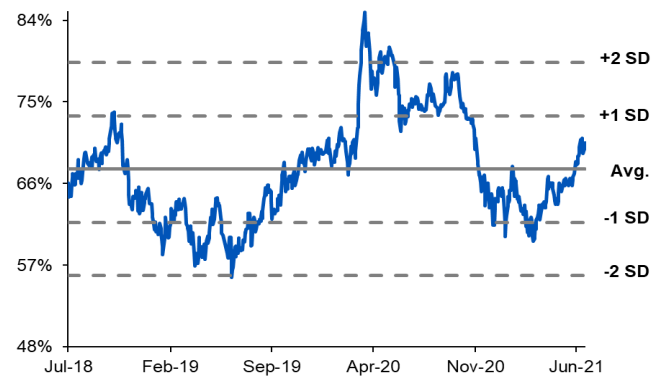
## Valuation Highlights in Charts

3-Year Forward P/E Band



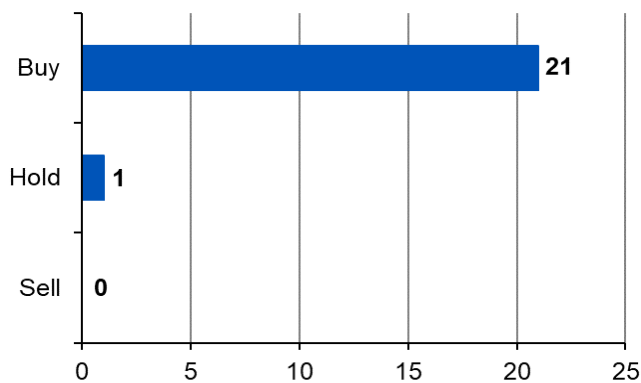
Source: Bloomberg, NHKS Research

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%
01/07/2021	Buy	585	440	609	33.0%	-3.9%

Source: NHKSI Research, Bloomberg

## Summary of Financials

## INCOME STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
<b>Revenues</b>	<b>3,977</b>	<b>4,467</b>	<b>5,232</b>	<b>5,882</b>
Growth (% y/y)	-44.8%	12.3%	17.1%	12.4%
Cost of Revenues	(2,036)	(2,239)	(2,423)	(2,756)
<b>Gross Profit</b>	<b>1,941</b>	<b>2,228</b>	<b>2,808</b>	<b>3,125</b>
Gross Margin	48.8%	49.9%	53.7%	53.1%
Operating Expenses	(681)	(724)	(786)	(946)
<b>EBIT</b>	<b>1,260</b>	<b>1,504</b>	<b>2,022</b>	<b>2,180</b>
EBIT Margin	31.7%	33.7%	38.7%	37.1%
Depreciation	550	596	629	650
<b>EBITDA</b>	<b>1,810</b>	<b>2,101</b>	<b>2,651</b>	<b>2,830</b>
EBITDA Margin	45.5%	47.0%	50.7%	48.1%
Interest Expenses	(198)	(203)	(232)	(248)
<b>EBT</b>	<b>1,149</b>	<b>1,360</b>	<b>1,882</b>	<b>2,022</b>
Income Tax	(30)	(26)	(42)	(42)
Minority Interest	(189)	(234)	(317)	(344)
<b>Net Profit</b>	<b>930</b>	<b>1,101</b>	<b>1,523</b>	<b>1,636</b>
Growth (% y/y)	-65.8%	18.4%	38.3%	7.5%
Net Profit Margin	23.4%	24.6%	29.1%	27.8%

## BALANCE SHEET

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Cash	2,887	4,865	5,968	6,801
Receivables	102	326	591	206
Inventories	4,512	4,893	4,926	5,553
<b>Total Current Assets</b>	<b>8,590</b>	<b>11,180</b>	<b>12,587</b>	<b>13,667</b>
Net Fixed Assets	14,722	14,885	15,035	15,092
Other Non Current Assets	3,146	3,524	3,287	3,319
<b>Total Non Current Assets</b>	<b>17,869</b>	<b>18,408</b>	<b>18,322</b>	<b>18,411</b>
<b>Total Assets</b>	<b>26,459</b>	<b>29,588</b>	<b>30,909</b>	<b>32,078</b>
Payables	348	390	322	574
ST Debt	397	464	716	634
<b>Total Current Liabilities</b>	<b>4,337</b>	<b>5,229</b>	<b>5,679</b>	<b>5,285</b>
LT Debt	3,547	4,549	4,353	4,607
<b>Total Liabilities</b>	<b>8,860</b>	<b>10,886</b>	<b>11,027</b>	<b>10,857</b>
Capital Stock + APIC	1,566	1,566	1,566	1,566
Retained Earnings	13,049	14,150	15,529	16,968
<b>Shareholders' Equity</b>	<b>17,599</b>	<b>18,703</b>	<b>19,882</b>	<b>21,221</b>

## CASH FLOW STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	1,419	1,803	2,044	1,727
Investing Cash Flow	(1,761)	(765)	(656)	(769)
Financing Cash Flow	(1,084)	935	(286)	(126)
<b>Net Changes in Cash</b>	<b>(1,426)</b>	<b>1,973</b>	<b>1,103</b>	<b>833</b>

Source: Company Data, NHKS Research

## PROFITABILITY &amp; STABILITY

	2020/12A	2021/12E	2022/12E	2023/12E
ROE	5.2%	6.1%	7.9%	8.0%
ROA	3.5%	3.9%	5.0%	5.2%
Inventory Turnover	0.5x	0.5x	0.5x	0.5x
Receivables Turnover	8.7x	20.9x	11.4x	14.8x
Payables turnover	6.0x	6.1x	6.8x	6.2x
Dividend Yield	0.0%	0.0%	0.5%	0.7%
Payout Ratio	0.0%	0.0%	9.4%	12.1%
DER	0.22x	0.27x	0.26x	0.25x
Net Gearing	6.0%	0.8%	-4.5%	-7.3%
Equity Ratio	66.5%	63.2%	64.3%	66.2%
Debt Ratio	0.15x	0.17x	0.16x	0.16x
Financial Leverage	147.2%	154.4%	156.8%	153.2%
Current Ratio	198.1%	213.8%	221.6%	258.6%
Quick Ratio	94.0%	120.2%	134.9%	153.5%
Par Value (IDR)	25	25	25	25
Total Shares (mn)	48,160	48,160	48,160	48,160
Share Price (IDR)	510	585	585	585
Market Cap (IDR tn)	24.6	28.2	28.2	28.2

## VALUATION INDEX

	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	26.4x	25.6x	18.5x	17.2x
PE/EPS Growth	-0.4x	1.4x	0.5x	2.3x
Price /Book Value	1.4x	1.5x	1.4x	1.3x
EV/EBITDA	14.2x	13.5x	10.3x	9.4x
EV (IDR bn)	25,619	28,321	27,276	26,614
Revenues CAGR (3-Yr)	-6.3%	-7.9%	-9.6%	-6.5%
Net Income CAGR (3-Yr)	-17.7%	-16.2%	-15.7%	-15.6%
Basic EPS (IDR)	19	23	32	34
BVPS (IDR)	365	388	413	441
DPS (IDR)	-	-	3.0	4.1

## OWNERSHIP

By Geography	%
Indonesia	85.7
United States	7.2
Luxembourg	3.6
Others	3.5
Shareholders	%
PT Pakuwon A	68.6
Vanguard Group Inc	1.9
Invesco Ltd	1.5
Fil Ltd	1.1
Others	26.9

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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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