

Pakuwon Jati Tbk (PWON)

Challenges from Falling Occupancy Rate

PWON booked total revenue of IDR1.34 trillion (315.2% YoY) in 2Q21. Development and recurring income also grew 676.1% YoY and 195.5% YoY. While marketing sales also had a significant growth, the company is currently faced with challenges in the form of falling occupancy rates from several shopping malls under management.

Low Based Effect, 2Q21 Income Grows Significantly

- PWON's income in 2Q21 reached IDR1.34 trillion (+315.2% YoY, +20% QoQ), or 77.3% higher than our estimation. Meanwhile throughout 1H21 was recorded at IDR2.46 trillion (+25% YoY).
- Development income in 2Q21 was booked at IDR625 billion (+676.1% YoY, +23.5% QoQ), while recurring income was at IDR718 billion (+195.5% YoY, +17.8% QoQ). The significant increase was due to low based effect as the 2Q20 income was greatly impacted by the pandemic.
- GPM, and OPM recovered in 2Q21 at 48.5% and 34.1%.
- However, due to the early repayment of bonds, PWON has to pay a penalty of IDR99.43 billion. This caused net profit in 2Q21 fell to IDR228 billion (-45.2% YoY, -3.8% QoQ), followed by declining NPM to 17% (-420bps QoQ).

Need to Maintain Mall Occupancy Rate

- Marketing sales in 1H21 was recorded at IDR821 billion or 59% of the target in 2021.
- Seeing the jump in marketing sales in 2Q21 (+189.7% YoY), we expect marketing sales throughout FY21 can grow up to 40% YoY.
- Meanwhile, PWON needs to be able to maintain mall occupancy rate. Some shopping malls such as Blok M Plaza, Pakuwon Mall and Pakuwon Trade Center had experienced falling occupancy to 80%.

Issues Global Bonds

- PWON issued bonds worth USD400 million (due 2028) which will be used to refinance bonds of USD250 million, and the rest used for general corporate purposes.
- Until the end of the year, we estimate DER to stay at a low level of 0.33x. While PWON's net debt position is recorded at IDR147 billion (-80% QoQ).

Recommend BUY with TP of IDR585

- On a quarterly basis, we expect the 3Q21 performance to decline due to the implementation of level 3 -4 PPKM in PWON's business regions. However, Indonesia's vaccination rate which has reached 32% (1st dose) of the target gives hope that mobility will gradually recover.
- Thus, we revise up our income and profit estimates for FY21 and FY22 by 14.6% and 14.2% of the previous projection.
- We maintain BUY recommendation with TP of IDR585, reflecting discount to NAV 61.97% (-1 std of 3-year average).

Pakuwon Jati Tbk | Summary

	2020A	2021F	2022F	2023F
Revenue	3,977	5,120	5,977	6,633
Growth	-44.8%	28.7%	16.7%	11.0%
Net Profit	930	1,200	1,619	1,839
Growth	-65.8%	29.0%	34.9%	13.6%
EPS (IDR)	19	25	34	38
P/E	26.4x	23.5x	17.4x	15.3x
P/BV	1.4x	1.5x	1.4x	1.3x
EV/EBITDA	14.2x	11.7x	9.2x	7.9x
ROE	0.1x	0.1x	0.1x	0.1x
DER	0.2x	0.3x	0.3x	0.3x
Dividend Yield	0.0%	0.0%	0.4%	0.7%

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Update | Sept 07, 2021

BUY

Target Price (IDR)	585
Consensus Price (IDR)	594
TP to Consensus Price	-1.5%
Potential Upside	+26.1%

Shares data

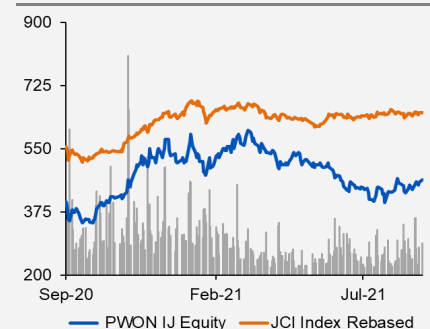
Last Price (IDR)	464
Price Date as of	Sept 06, 2021
52 wk Range (Hi/Lo)	615/332
Free Float (%)	31.3
Outstanding sh.(mn)	48,160
Market Cap (IDR bn)	22,442
Market Cap (USD mn)	1,580
Avg. Trd Vol - 3M (mn)	56
Avg. Trd Val - 3M (bn)	24.73
Foreign Ownership	13.9%

Property

Real Estate Owner & Developer

Bloomberg	PWON IJ
Reuters	PWON.JK

Share Price Performance



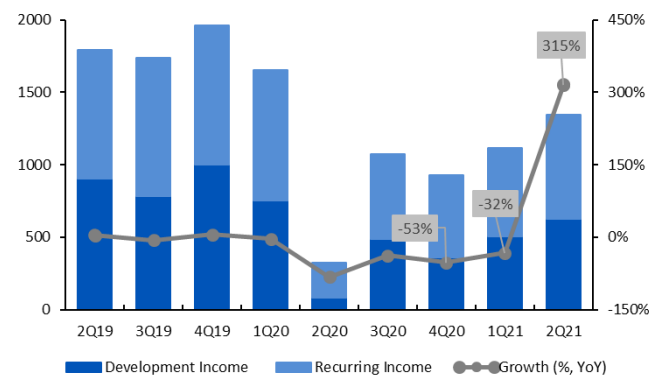
	YTD	1M	3M	12M
Abs. Ret.	-10.8%	7.9%	-6.5%	14.3%
Rel. Ret.	-11.1%	7.5%	-7.5%	-2.6%

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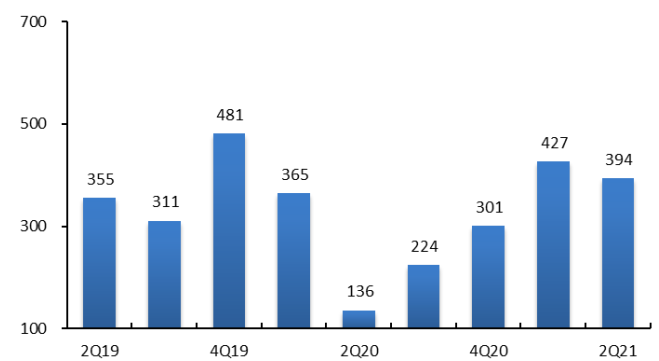
Performance Highlights in Charts

PWON Quarterly Revenue (IDR bn) | 2Q19 - 2Q21



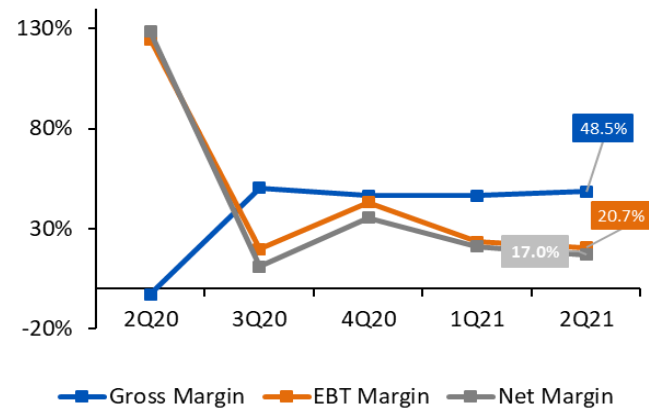
Source: Company Data, NHKSI Research

PWON Quarterly Marketing Sales (IDR bn) | 2Q19 - 2Q21



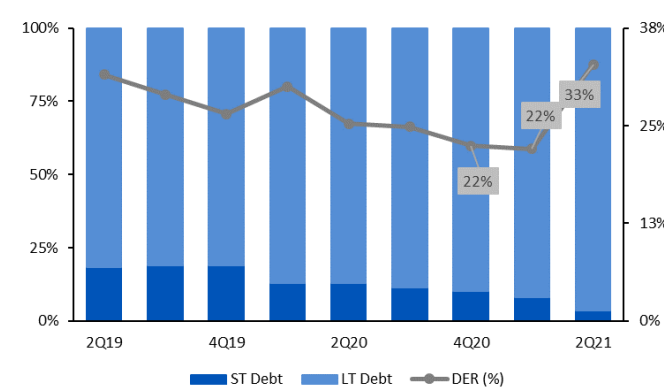
Source: Company Data, NHKSI Research

Margin Ratios | 2Q20 - 2Q21



Source: Company Data, NHKSI Research

PWON Debt Portion | 2Q19 - 2Q21



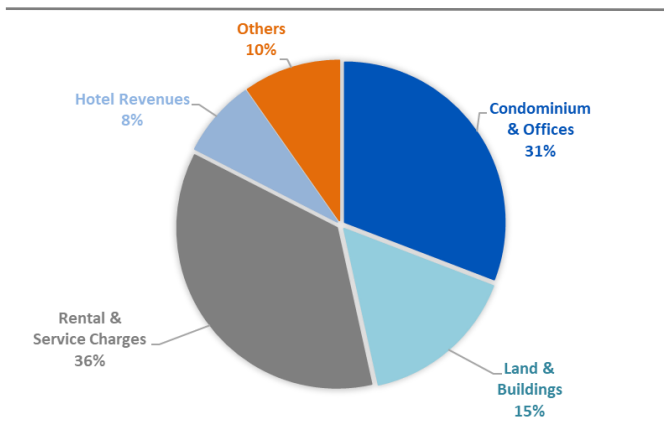
Source: Company Data, NHKSI Research

Occupancy Rate PWON Mall Portfolio | 2019 - 1H21

Occupancy		2019	2020	1H21
Jakarta	Kota Kasablanka Mall	99%	99%	99%
	Gandaria City Mall	98%	92%	91%
	Blok M Plaza	97%	93%	88%
Surabaya	Tunjungan Plaza	96%	93%	92%
	Pakuwon Mall	96%	90%	89%
	Pakuwon Trade Center	92%	88%	88%
	Royal Plaza	94%	91%	91%
Central Java	Pakuwon City Mall	-	74%	77%
	Hartono Mall Yogyakarta	-	88%	67%
	Hartono Mall Solo	-	97%	95%

Source: Company Data, NHKSI Research

PWON Revenue Breakdown | 2Q21



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
Indonesia										
BSDE	BSDE IJ EQUITY	1,490	4,371	492	73	107.67%	14.8%	3.5%	20.0x	0.7x
CTRA	CTRA IJ EQUITY	1,267	2,819	644	113	58.55%	17.6%	10.7%	11.0x	1.1x
PWON	PWON IJ EQUITY	1,580	1,900	310	63	-50.35%	20.4%	6.2%	24.6x	1.5x
SMRA	SMRA IJ EQUITY	1,014	1,790	368	19	-26.05%	5.2%	3.9%	46.5x	1.8x
Singapore										
Capitaland Ltd	CAPL SP EQUITY	15,693	63,854	5,375	(556)	-!	-10.3%	-3.19%	-	0.9x
Malaysia										
SP Setia Bhd	SPSB MK EQUITY	1,216	7,556	1,049	(14)	-!	-1.3%	-1.03%	-	0.4x
IOI Properties Group Bhd	IOIPG MK EQUITY	1,739	8,057	603	160	37.31%	26.5%	3.42%	10.9x	0.4x
Thailand										
Land & Houses PUB Co Ltd	LH TB EQUITY	2,959	4,086	1,053	260	-11.73%	24.7%	16.35%	11.9x	1.9x
WHA Corp PCL	WHA TB EQUITY	1,444	2,754	231	74	-5.58%	31.9%	7.93%	20.6x	1.7x
Philippines										
Megaworld Corp	MEG PM EQUITY	1,850	7,825	772	196	-36.87%	25.4%	5.32%	9.8x	0.5x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

Valuation Highlights in Charts

3-Year Forward P/E Band



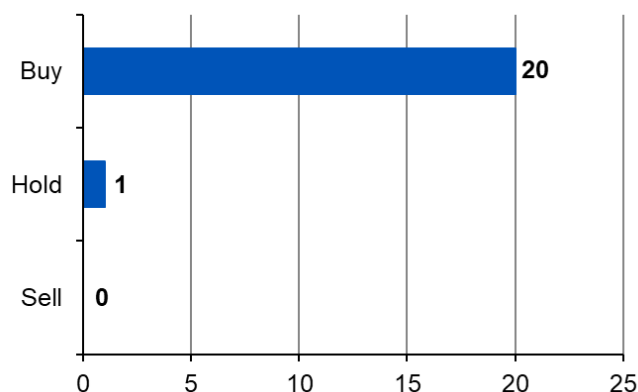
Source: Bloomberg, NHKSI Research

3-Year Discount to NAV Band



Source: Bloomberg, NHKSI Research

Recommendations by Analysts



Source: Bloomberg, NHKSI Research

Closing and Target Price Update



Source: Bloomberg, NHKSI Research

Rating and Target Price Update

Target Price

Date	Rating	Target Price	Last Price	Consensus	Potential Upside	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%
07/09/2021	Buy	585	464	594	26.1%	-1.5%

Source: NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Revenues	3,977	5,120	5,977	6,633
Growth (% y/y)	-44.8%	28.7%	16.7%	11.0%
Cost of Revenues	(2,036)	(2,560)	(2,807)	(2,973)
Gross Profit	1,941	2,560	3,169	3,660
Gross Margin	48.8%	50.0%	53.0%	55.2%
Operating Expenses	(681)	(786)	(872)	(993)
EBIT	1,260	1,774	2,297	2,666
EBIT Margin	31.7%	34.7%	38.4%	40.2%
Depreciation	550	618	639	672
EBITDA	1,810	2,392	2,936	3,339
EBITDA Margin	45.5%	46.7%	49.1%	50.3%
Interest Expenses	(198)	(304)	(367)	(438)
EBT	1,149	1,501	2,013	2,294
Income Tax	(30)	(30)	(46)	(49)
Minority Interest	(189)	(272)	(348)	(406)
Net Profit	930	1,200	1,619	1,839
Growth (% y/y)	-65.8%	29.0%	34.9%	13.6%
Net Profit Margin	23.4%	23.4%	27.1%	27.7%

PROFITABILITY & STABILITY

	2020/12A	2021/12E	2022/12E	2023/12E
ROE	5.2%	6.6%	8.3%	8.8%
ROA	3.5%	4.1%	4.9%	5.4%
Inventory Turnover	0.5x	0.5x	0.5x	0.5x
Receivables Turnover	8.7x	20.9x	11.4x	14.8x
Payables turnover	6.0x	6.3x	6.9x	6.3x
Dividend Yield	0.0%	0.0%	0.4%	0.7%
Payout Ratio	0.0%	0.0%	7.4%	11.4%
DER	0.22x	0.33x	0.32x	0.31x
Net Gearing	6.0%	-0.5%	-5.1%	-7.9%
Equity Ratio	66.5%	58.1%	59.8%	63.1%
Debt Ratio	0.15x	0.19x	0.19x	0.19x
Financial Leverage	147.2%	161.6%	169.6%	162.7%
Current Ratio	198.1%	212.4%	228.7%	267.1%
Quick Ratio	94.0%	117.8%	138.7%	165.3%
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

BALANCE SHEET

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Cash	2,887	6,301	7,460	8,311
Receivables	102	388	659	240
Inventories	4,512	6,241	5,969	5,929
Total Current Assets	8,590	14,016	15,169	15,558
Net Fixed Assets	14,722	14,873	15,190	15,446
Other Non Current Assets	3,146	3,518	3,285	3,317
Total Non Current Assets	17,869	18,392	18,475	18,763
Total Assets	26,459	32,407	33,644	34,321
Payables	348	465	348	601
ST Debt	397	435	579	793
Total Current Liabilities	4,337	6,599	6,632	5,824
LT Debt	3,547	5,780	5,858	5,812
Total Liabilities	8,860	13,574	13,528	12,667
Capital Stock + APIC	1,566	1,566	1,566	1,566
Retained Earnings	13,049	14,249	15,748	17,377
Shareholders' Equity	17,599	18,834	20,117	21,654

CASH FLOW STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	1,419	2,025	2,151	1,953
Investing Cash Flow	(1,761)	(694)	(879)	(967)
Financing Cash Flow	(1,084)	2,077	(114)	(135)
Net Changes in Cash	(1,426)	3,408	1,159	851

VALUATION INDEX

	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	26.4x	23.5x	17.4x	15.3x
PE/EPS Growth	-0.4x	0.8x	0.5x	1.1x
Price /Book Value	1.4x	1.5x	1.4x	1.3x
EV/EBITDA	14.2x	11.7x	9.2x	7.9x
EV (IDR bn)	25,619	28,087	27,151	26,467
Revenues CAGR (3-Yr)	-6.3%	-3.6%	-5.5%	-2.7%
Net Income CAGR (3-Yr)	-17.7%	-13.8%	-13.9%	-12.2%
Basic EPS (IDR)	19	25	34	38
BVPS (IDR)	365	391	418	450
DPS (IDR)	-	-	2.5	4.4

OWNERSHIP

By Geography	%
Indonesia	86.1
United States	7.1
Luxembourg	3.6
Others	3.2
Shareholders	%
PT Pakuwon A	68.6
Vanguard Group Inc	1.7
Invesco Ltd	1.4
Fil Ltd	1.0
Others	27.3

Source: Company Data, NHKSI 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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