

# Pakuwon Jati Tbk (PWON)

## Economic Recovery Boosts Recurring Income

In 3Q21, PWON booked a profit of IDR257 billion (+117.8% YoY). Meanwhile, real estate sales that went up 102.5% YoY boosted the company's revenue to IDR1.32 trillion (+23.9% YoY). If the relaxation of PPKM continues well into 2022, PWON will benefit from it, since the company has a larger recurring income contribution than other property issuers.

### Real Estate Sales Boost Revenue Increase

- Throughout 3Q21, PWON booked a revenue of IDR1.32 trillion (+23.9% YoY vs IDR1.07 trillion in 3Q20).
- Real estate sales in 3Q21 was recorded up 102.5% YoY, supporting the revenue increase. Meanwhile, Emergency Community Activity Restrictions (PPKM) resulted in recurring income to dive 40.9% YoY. That meant PWON's recurring income was only at 26.1% of the total income, the lowest for PWON.
- Cost of revenue was up 45% YoY due to increased depreciation, making GPM fell 41.8% (vs 50.3% in 3Q20). 3Q21 profit was booked at IDR257 billion (+117.8% YoY, 12.9% QoQ) or 13% below our estimates.
- Approaching 4Q21, in line with the easing of PPKM, we project FY21 revenue to grow by 33.7% YoY, supported by 2Q21 revenue which rose to 315.2% YoY due to the low-based effect in 2Q20. We also estimate the bottom line to increase by 23.5% YoY.

### Advantage from Larger Recurring Income Portion

- If the relaxation of PPKM continues well on 4Q21 into 2022, PWON will benefit, since the company has a larger recurring income contribution than other property issuers. PWON owns eight hotels spread across Jakarta, Surabaya and Yogyakarta.
- Meanwhile, the implementation of Work from Home (WFH), caused PWON's office building occupancy to decrease by around 0.5%-17%. The occupancy rate of several malls had dropped to 3%.
- Moreover, new assets such as Hartono Mall Yogyakarta, Marriot Hotel Yogyakarta, and Hartono Mall Solo which in FY21E we estimate can contribute up to 3%-4% of revenue.

### Maintains Cash Flow and Occupancy Rate in 2022

- In 2022, 27% of retail malls will enter the lease expiry profile. In this case, PWON must be able to maintain occupancy levels and return the rental payment scheme to normal so cash flow is not disrupted.
- Previously, PWON applied a rental discount and an extension of the lease payment term for tenants.

### Recommend BUY with TP of IDR690

- We maintain our BUY recommendation by revising up TP to IDR690, implying discount to NAV 60% (-1.3 std for the last 3-year average) as the basis of valuation method.
- In the future, with increased mobility, purchasing power recovery, supported by the superblock concept developed by PWON, we believe sales of condominium will begin to increase. Meanwhile, the office sales segment will be faced with a possible increase in supply next year, which will weigh on the office building market.

### Pakuwon Jati Tbk | Summary

	2020A	2021F	2022F	2023F
Revenue	3,977	5,318	6,068	6,858
Growth	-44.8%	33.7%	14.1%	13.0%
Net Profit	930	1,148	1,578	1,921
Growth	-65.8%	23.5%	37.4%	21.7%
EPS (IDR)	19	24	33	40
P/E	26.4x	28.9x	21.1x	17.3x
P/BV	1.4x	1.8x	1.7x	1.5x
EV/EBITDA	14.2x	14.1x	11.2x	9.2x
ROE	0.1x	0.1x	0.1x	0.1x
DER	0.2x	0.3x	0.3x	0.3x
Dividend Yield	0.0%	0.0%	0.3%	0.6%

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Update | Dec 01, 2021

## BUY

Target Price (IDR)	690
Consensus Price (IDR)	617
TP to Consensus Price	+11.8%
Potential Upside	+40.2%

### Shares data

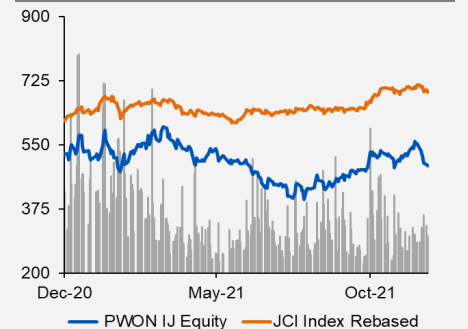
Last Price (IDR)	492
Price Date as of	Nov 30, 2021
52 wk Range (Hi/Lo)	615/400
Free Float (%)	31.3
Outstanding sh.(mn)	48,160
Market Cap (IDR bn)	23,160
Market Cap (USD mn)	1,665
Avg. Trd Vol - 3M (mn)	50
Avg. Trd Val - 3M (bn)	25.20
Foreign Ownership	14.8%

### Property

#### Real Estate Owner & Developer

Bloomberg	PWON IJ
Reuters	PWON.JK

### Share Price Performance



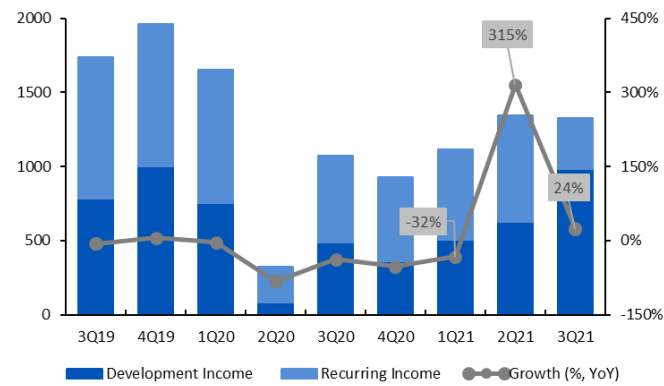
	YTD	1M	3M	12M
Abs. Ret.	-5.4%	-1.6%	8.8%	-1.6%
Rel. Ret.	-12.4%	-0.7%	2.5%	-18.0%

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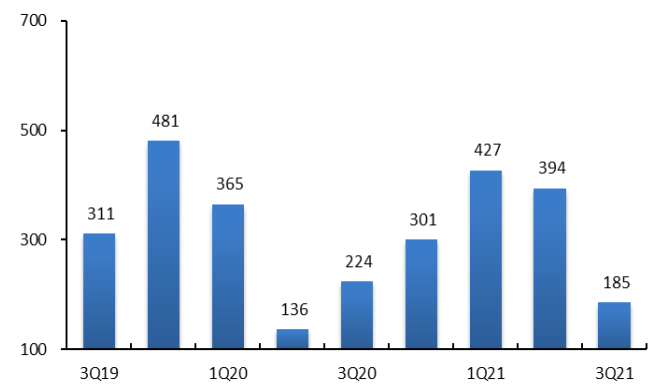
## Performance Highlights in Charts

PWON Quarterly Revenue (IDR bn) | 3Q19 - 3Q21



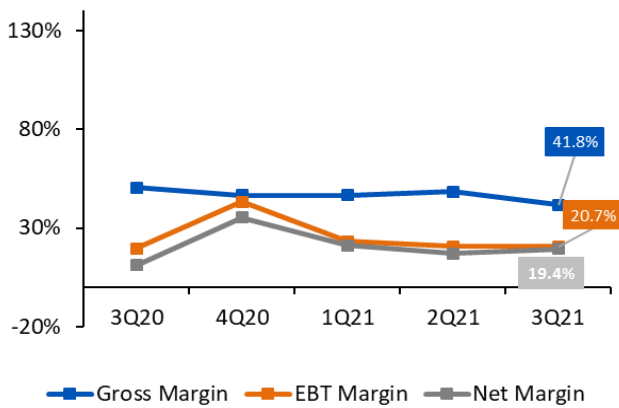
Source: Company Data, NHKSI Research

PWON Quarterly Marketing Sales (IDR bn) | 3Q19 - 3Q21



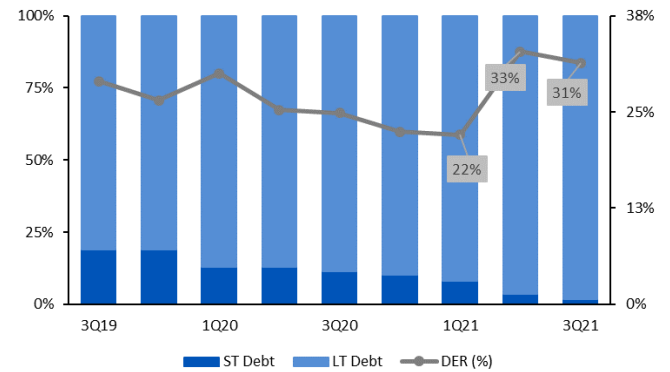
Source: Company Data, NHKSI Research

Margin Ratios | 3Q20 - 3Q21



Source: Company Data, NHKSI Research

PWON Debt Portion | 3Q19 - 3Q21



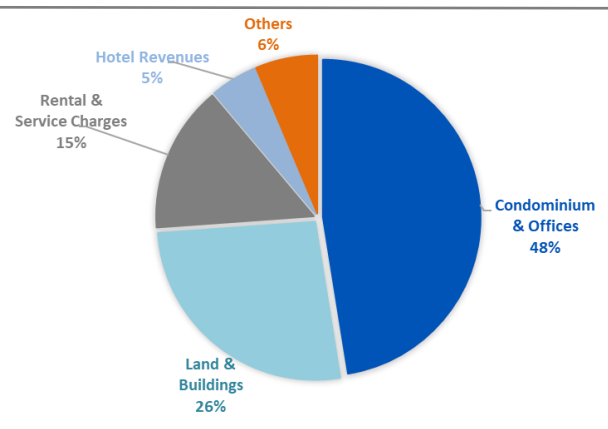
Source: Company Data, NHKSI Research

Occupancy Rate PWON Mall Portfolio | 2019 - 3Q21

	Occupancy	2019	2020	3Q21
Jakarta	Kota Kasablanka Mall	99%	99%	99%
	Gandaria City Mall	98%	92%	90%
	Blok M Plaza	97%	93%	87%
Surabaya	Tunjungan Plaza	96%	93%	91%
	Pakuwon Mall	96%	90%	89%
	Pakuwon Trade Center	92%	88%	88%
	Royal Plaza	94%	91%	90%
Central Java	Pakuwon City Mall	-	74%	76%
	Hartono Mall Yogyakarta	-	88%	64%
	Hartono Mall Solo	-	97%	95%

Source: Company Data, NHKSI Research

PWON Revenue Breakdown | 3Q21



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

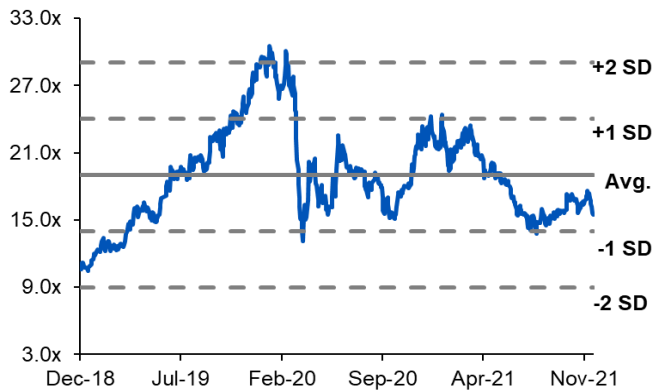
		Market Cap (USD mn)	Asset (USD mn)	Sales LTM (USD mn)	Net Profit LTM (USD mn)	Net Profit Growth LTM	Net Profit Margin	ROE LTM	P/E LTM	P/BV
<b>Indonesia</b>										
BSDE	BSDE IJ EQUITY	1,601	4,371	492	73	107.67%	14.8%	3.5%	21.7x	0.7x
CTRA	CTRA IJ EQUITY	1,359	2,819	731	147	116.03%	20.1%	13.6%	9.3x	1.2x
PWON	PWON IJ EQUITY	1,665	1,900	329	73	-10.16%	22.3%	7.1%	22.7x	1.6x
SMRA	SMRA IJ EQUITY	1,010	1,790	368	19	-26.05%	5.2%	3.9%	47.1x	1.9x
<b>Singapore</b>										
Capitaland Ltd	CAPL SP EQUITY	-	63,854	5,375	(556)	-	-10.3%	-3.19%	-	-
<b>Malaysia</b>										
SP Setia Bhd	SPSB MK EQUITY	1,210	7,556	932	53	-	5.6%	0.72%	60.3x	0.4x
IOI Properties Group Bhd	IOIPG MK EQUITY	1,429	8,057	548	164	26.22%	29.9%	3.52%	8.9x	0.3x
<b>Thailand</b>										
Land & Houses PUB Co Ltd	LH TB EQUITY	3,021	4,086	1,001	233	-18.52%	23.3%	15.23%	13.8x	2.1x
WHA Corp PCL	WHA TB EQUITY	1,485	2,754	233	64	-11.53%	27.6%	7.03%	24.9x	1.8x
<b>Philippines</b>										
Megaworld Corp	MEG PM EQUITY	1,987	7,825	872	218	-15.32%	25.0%	5.86%	9.4x	0.6x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

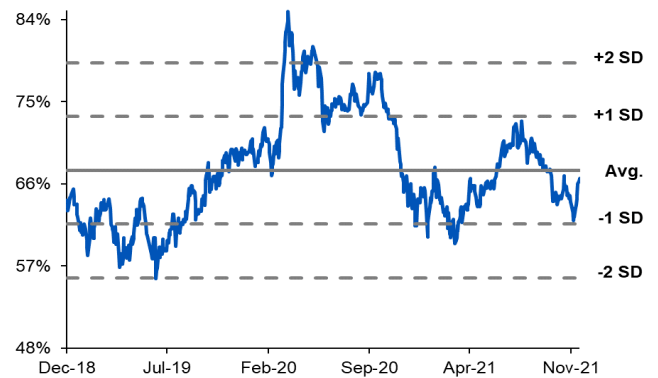
## Valuation Highlights in Charts

3-Year Forward P/E Band



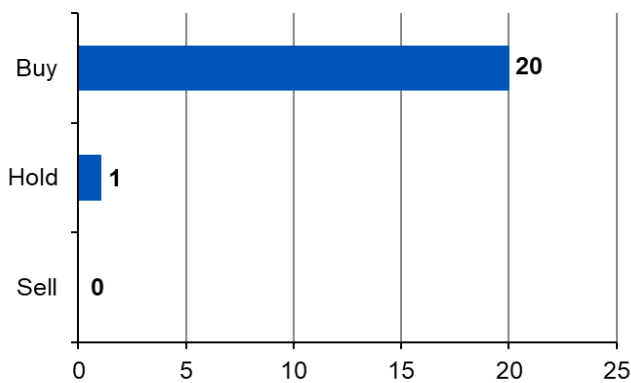
Source: Bloomberg, NHKSI Research

3-Year Discount to NAV Band



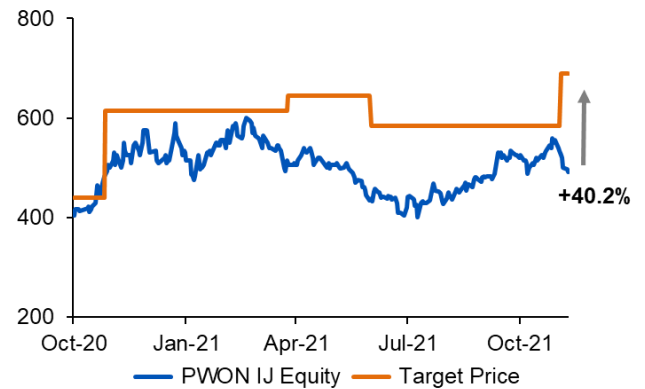
Source: Bloomberg, NHKSI Research

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%
01/12/2021	Buy	690	492	617	40.2%	11.8%

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>5,318</b>	<b>6,068</b>	<b>6,858</b>
Growth (% y/y)	-44.8%	33.7%	14.1%	13.0%
Cost of Revenues	(2,036)	(2,826)	(2,974)	(3,131)
<b>Gross Profit</b>	<b>1,941</b>	<b>2,493</b>	<b>3,094</b>	<b>3,727</b>
Gross Margin	48.8%	46.9%	51.0%	54.3%
Operating Expenses	(681)	(801)	(877)	(1,012)
<b>EBIT</b>	<b>1,260</b>	<b>1,692</b>	<b>2,217</b>	<b>2,715</b>
EBIT Margin	31.7%	31.8%	36.5%	39.6%
Depreciation	550	640	646	686
<b>EBITDA</b>	<b>1,810</b>	<b>2,332</b>	<b>2,863</b>	<b>3,401</b>
EBITDA Margin	45.5%	43.8%	47.2%	49.6%
Interest Expenses	(198)	(272)	(342)	(398)
<b>EBT</b>	<b>1,149</b>	<b>1,354</b>	<b>1,905</b>	<b>2,292</b>
Income Tax	(30)	(24)	(41)	(45)
Minority Interest	(189)	(182)	(285)	(326)
<b>Net Profit</b>	<b>930</b>	<b>1,148</b>	<b>1,578</b>	<b>1,921</b>
Growth (% y/y)	-65.8%	23.5%	37.4%	21.7%
Net Profit Margin	23.4%	21.6%	26.0%	28.0%

### PROFITABILITY & STABILITY

	2020/12A	2021/12E	2022/12E	2023/12E
ROE	5.2%	6.3%	8.1%	9.2%
ROA	3.5%	4.0%	5.0%	5.7%
Inventory Turnover	0.5x	0.6x	0.6x	0.6x
Receivables Turnover	8.7x	20.9x	11.4x	14.8x
Payables turnover	6.0x	7.4x	7.3x	6.7x
Dividend Yield	0.0%	0.0%	0.3%	0.6%
Payout Ratio	0.0%	0.0%	7.3%	10.7%
DER	0.22x	0.33x	0.32x	0.31x
Net Gearing	6.0%	-2.2%	-6.0%	-9.2%
Equity Ratio	66.5%	61.7%	61.1%	63.5%
Debt Ratio	0.15x	0.20x	0.20x	0.19x
Financial Leverage	147.2%	156.3%	162.9%	160.5%
Current Ratio	198.1%	267.8%	248.5%	282.6%
Quick Ratio	94.0%	175.3%	158.7%	179.8%
Par Value (IDR)	25	25	25	25
Total Shares (mn)	48,160	48,160	48,160	48,160
Share Price (IDR)	510	690	690	690
Market Cap (IDR tn)	24.6	33.2	33.2	33.2

### BALANCE SHEET

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Cash	2,887	6,613	7,607	8,610
Receivables	102	407	656	273
Inventories	4,512	4,262	5,251	5,646
<b>Total Current Assets</b>	<b>8,590</b>	<b>12,335</b>	<b>14,535</b>	<b>15,526</b>
Net Fixed Assets	14,722	14,713	15,038	15,312
Other Non Current Assets	3,146	3,400	3,246	3,264
<b>Total Non Current Assets</b>	<b>17,869</b>	<b>18,113</b>	<b>18,284</b>	<b>18,576</b>
<b>Total Assets</b>	<b>26,459</b>	<b>30,448</b>	<b>32,819</b>	<b>34,102</b>
Payables	348	411	402	530
ST Debt	397	434	577	793
<b>Total Current Liabilities</b>	<b>4,337</b>	<b>4,606</b>	<b>5,848</b>	<b>5,494</b>
LT Debt	3,547	5,770	5,835	5,815
<b>Total Liabilities</b>	<b>8,860</b>	<b>11,648</b>	<b>12,781</b>	<b>12,435</b>
Capital Stock + APIC	1,566	1,566	1,566	1,566
Retained Earnings	13,049	14,198	15,661	17,377
<b>Shareholders' Equity</b>	<b>17,599</b>	<b>18,800</b>	<b>20,038</b>	<b>21,667</b>

### CASH FLOW STATEMENT

(IDR bn)	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	1,419	2,089	2,117	2,048
Investing Cash Flow	(1,761)	(494)	(992)	(950)
Financing Cash Flow	(1,084)	2,128	(132)	(96)
<b>Net Changes in Cash</b>	<b>(1,426)</b>	<b>3,723</b>	<b>994</b>	<b>1,003</b>

### VALUATION INDEX

	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	26.4x	28.9x	21.1x	17.3x
PE/EPS Growth	-0.4x	1.2x	0.6x	0.8x
Price /Book Value	1.4x	1.8x	1.7x	1.5x
EV/EBITDA	14.2x	14.1x	11.2x	9.2x
EV (IDR bn)	25,619	32,821	32,035	31,229
Revenues CAGR (3-Yr)	-6.3%	-2.4%	-5.0%	-1.6%
Net Income CAGR (3-Yr)	-17.7%	-15.0%	-14.7%	-10.9%
Basic EPS (IDR)	19	24	33	40
BVPS (IDR)	365	390	416	450
DPS (IDR)	-	-	2.4	4.3

### OWNERSHIP

By Geography	%
Indonesia	85.2
United States	7.4
Luxembourg	3.6
Others	3.7
Shareholders	%
PT Pakuwon A	68.7
Vanguard Group Inc	1.9
Invesco Ltd	1.5
Fil Ltd	1.0
Others	26.9

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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