

# Pakuwon Jati Tbk (PWON)

## Recurring Income Still Becomes the Support

As of the first semester in 2023, PWON recorded a profit of IDR 1.1 trillion (+45.8% YoY). The increase in profit was in line with revenue, which increased by 5% YoY. Contributions from recurring income still dominated at 76% of total revenue during 1H23. In addition to increased revenue, cost efficiency was also one of the factors in PWON's profit increase; NPM was 37.9% (vs 1H22: 27.4%).

### A Solid Profit Growth

- Throughout 1H23, PWON managed to record a profit of IDR 1.1 trillion (+45.8% YoY vs IDR 754 billion in 1H22).
- The increase in profit is in line with the increase in revenue, PWON managed to book a revenue of IDR 2.9 trillion, a growth of 23.9% YoY (vs IDR 2.75 trillion 1H22).
- In addition to increasing revenue, PWON also managed to perform cost efficiency. Gross and EBIT margins rose to 55.8% and 37.5% respectively (vs 51.5% and 35.7% in 1H22). Moreover, NPM also increased significantly to 37.9% (vs 27.4% in 1H22).

### Recurring Income that Continues to Grow

- Recurring income in 1H23 recorded an increase of 24% YoY to IDR 2.2 trillion (vs IDR 1.7 trillion in 1H22). Contributing 76% of total revenue, the increase in recurring income was supported by a 4.7% YoY rise in rent and maintenance services, followed by hotel revenue and other operating income which grew 1.7% and 1.3% YoY respectively.
- The occupancy rate of retail malls owned by PWON began to return to normal after the Covid-19 pandemic. All retail malls owned by PWON have experienced an increasing trend since 2021, except for Pakuwon Mall Solo Baru which experienced a decline due to ongoing renovations.
- Currently, only 6% of the Net Leasable Area (NLA) is vacant. By 2023, as much as 8% will reach lease expiry. Meanwhile, 46% will reach lease expiry in 2024 to 2026. Then, the remaining 40% will still reach the end of the lease in 2027 or later. This shows that PWON's cash flow will still be maintained at least until 2027.
- Meanwhile, development income fell 29% YoY to IDR 688 billion (vs IDR 970 billion in 1H22) due to a decline in condominium and officesales, which dropped by 61% YoY.

### Marketing Sales Not Yet in Line with Expectations

- Marketing sales in 1H23 only managed to earn IDR 600 billion, a decrease of 25% YoY (vs IDR 800 billion in 1H22). This figure only reached 37.5% of the total marketing sales target in 2023.
- The decline was caused by lower sales in both high-rise and landed properties, which fell by 11.6% and 37.5% YoY, respectively.

### BUY Recommendation with a TP of IDR 600

- We recommend BUY for PWON, with TP at IDR600 level, reflecting Forward P/E of 14.4x FY23F. Currently, PWON is trading at 11.1x Forward P/E 23F, which is slightly below the -1 average of the last 3 years.
- The risk of our recommendation is the weakening of consumer purchasing power, which may result in the inability to achieve the marketing sales target in 2023.

### Pakuwon Jati Tbk | Summary

in IDR bn	2022/12A	2023/12E	2024/12E	2025/12E
Revenues	5,987	6,086	6,284	6,722
Net profit	1,539	1,963	2,025	2,210
EPS (IDR)	32	41	42	46
P/E	14.3x	14.7x	14.3x	13.1x
P/BV	1.1x	1.3x	1.2x	1.1x
EV/EBITDA	7.1x	9.1x	8.2x	7.1x
ROE	0.1x	0.1x	0.1x	0.1x
DER	0.3x	0.3x	0.3x	0.3x
Dividend yield	0.9%	1.7%	0.7%	0.7%
BVPS (IDR)	430	463	492	534
EBITDA margin	49.2%	49.8%	50.9%	50.7%
NPM	25.7%	32.3%	32.2%	32.9%
ROA	5.2%	6.2%	6.2%	6.2%
ROIC	71.4%	70.4%	80.2%	66.8%
DPS (IDR)	4.0	10.5	4.1	4.2
Net Debt	-1,167	-1,303	-2,778	-4,526
EBITDA	2,944	3,028	3,196	3,409

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Update | Aug 22, 2023

## BUY

Target Price (IDR)	600
Consensus Price (IDR)	596
TP to Consensus Price	+0.7%
Potential Upside	+30.4%

### Shares data

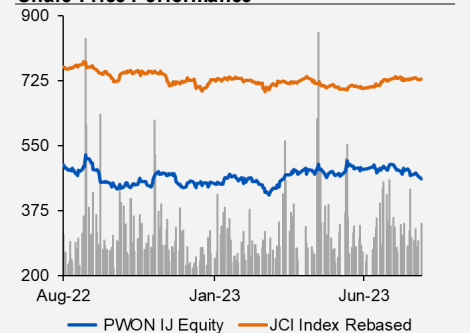
Last Price (IDR)	460
Price Date as of	Aug 21, 2023
52 wk Range (H/L)	525/418
Free Float (%)	31.3
Outstanding sh. (mn)	48,160
Market Cap (IDR bn)	22,153
Market Cap (USD mn)	1,446
Avg. Trd Vol - 3M (mn)	30
Avg. Trd Val - 3M (bn)	14.83
Foreign Ownership	16.5%

### Property

#### Real Estate Owner & Developer

Bloomberg	PWON IJ
Reuters	PWON.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	1.3%	-8.0%	-4.2%	-8.0%
Rel. Ret.	0.9%	-7.9%	-6.4%	-4.8%

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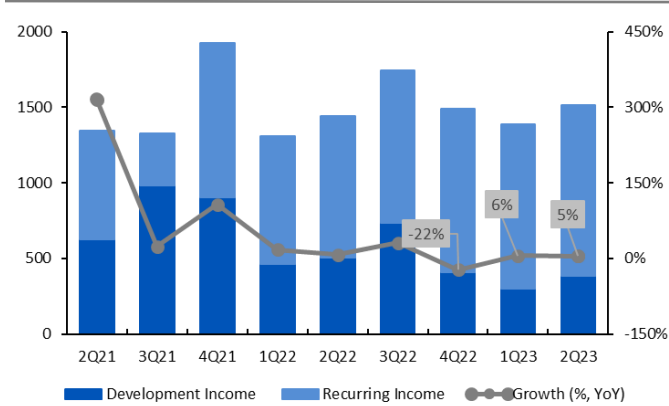
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(Intern)

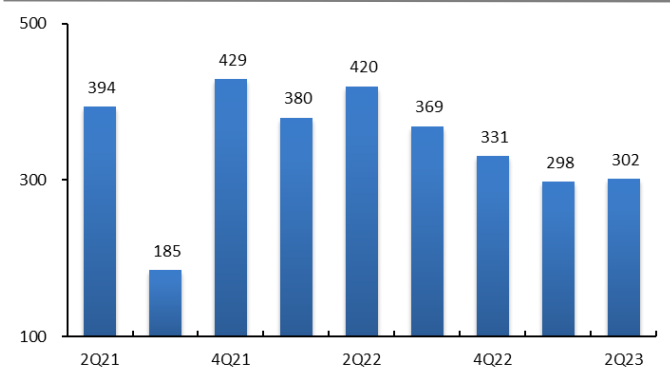
## Performance Highlights

PWON Quarterly Revenue (IDR bn) | 2Q21 - 2Q23



Source: Company Data, NHKSI Research

PWON Quarterly Marketing Sales (IDR bn) | 2Q21 - 2Q23



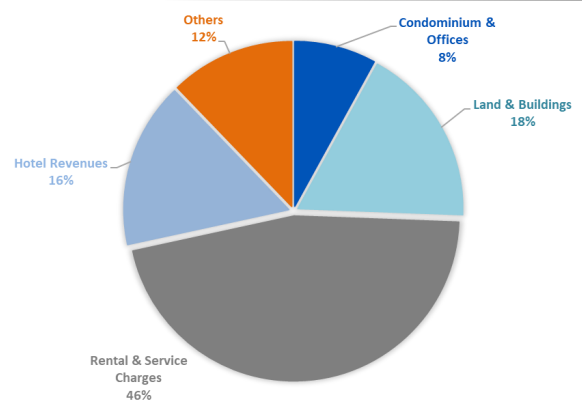
Source: Company Data, NHKSI Research

Occupancy Rate PWON Mall Portfolio | 2018 - 2Q23

	Occupancy	2018	2019	2020	2021	2022	2Q23
Jakarta	Kota Kasablanka Mall	99%	99%	99%	99%	100%	100%
	Gandaria City Mall	94%	98%	92%	90%	96%	96%
	Blok M Plaza	85%	97%	93%	88%	92%	92%
Surabaya	Tunjungan Plaza	96%	96%	93%	91%	94%	96%
	Pakuwon Mall	95%	96%	90%	89%	94%	95%
	Pakuwon Trade Center	92%	92%	88%	87%	90%	91%
	Royal Plaza	96%	94%	91%	90%	95%	95%
Central Java	Pakuwon City Mall			74%	74%	80%	82%
	Pakuwon Mall Yogyakarta			88%	65%	90%	92%
	Pakuwon Mall Solo Baru			97%	89%	83%	83%

Source: Company Data, NHKSI Research

PWON Revenue Breakdown | 2Q23



Source: Company Data, NHKSI Research

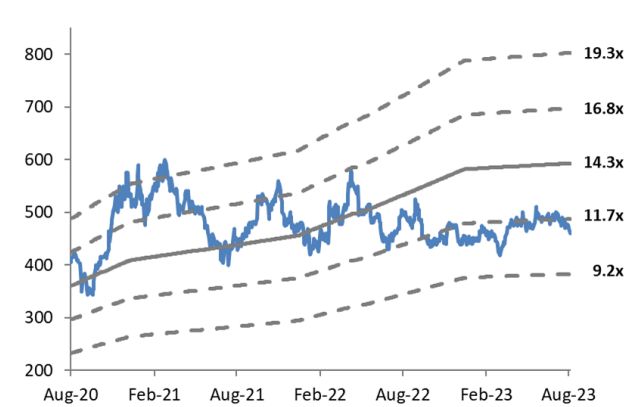
## Valuation Highlights

3-Year Forward P/E Band



Source: Bloomberg, NHKSI Research

3-Year Dynamic Forward P/E Band



Source: Bloomberg, NHKSI Research

## Summary of Financials

## INCOME STATEMENT

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
<b>Revenues</b>	<b>5,987</b>	<b>6,086</b>	<b>6,284</b>	<b>6,722</b>
Growth (% y/y)	4.8%	1.7%	3.3%	7.0%
Cost of Revenues	(2,769)	(2,754)	(2,871)	(3,021)
<b>Gross Profit</b>	<b>3,219</b>	<b>3,333</b>	<b>3,413</b>	<b>3,700</b>
Gross Margin	53.8%	54.8%	54.3%	55.1%
Operating Expenses	(955)	(992)	(943)	(1,052)
<b>EBIT</b>	<b>2,264</b>	<b>2,341</b>	<b>2,471</b>	<b>2,648</b>
EBIT Margin	37.8%	38.5%	39.3%	39.4%
Depreciation	680	688	725	761
<b>EBITDA</b>	<b>2,944</b>	<b>3,028</b>	<b>3,196</b>	<b>3,409</b>
EBITDA Margin	49.2%	49.8%	50.9%	50.7%
Interest Expenses	(341)	(324)	(341)	(347)
<b>EBT</b>	<b>1,840</b>	<b>2,261</b>	<b>2,306</b>	<b>2,531</b>
Income Tax	(9)	(11)	(11)	(13)
Minority Interest	(292)	(286)	(270)	(308)
<b>Net Profit</b>	<b>1,539</b>	<b>1,963</b>	<b>2,025</b>	<b>2,210</b>
Growth (% y/y)	11.3%	27.6%	3.1%	9.1%
Net Profit Margin	25.7%	32.3%	32.2%	32.9%

## PROFITABILITY &amp; STABILITY

	2022/12A	2023/12E	2024/12E	2025/12E
ROE	7.7%	9.1%	8.8%	8.9%
ROA	5.2%	6.2%	6.2%	6.2%
Inventory Turnover	0.7x	0.7x	0.8x	0.7x
Receivables Turnover	57.7x	50.9x	54.1x	52.5x
Payables turnover	12.9x	12.5x	9.4x	9.3x
Dividend Yield	0.9%	1.7%	0.7%	0.7%
Payout Ratio	12.5%	25.7%	9.7%	9.2%
DER	0.30x	0.27x	0.27x	0.27x
Net Gearing	-5.6%	-5.8%	-11.7%	-17.6%
Equity Ratio	67.7%	68.9%	72.2%	66.7%
Debt Ratio	0.21x	0.19x	0.20x	0.18x
Financial Leverage	149.1%	146.4%	141.7%	144.4%
Current Ratio	465.3%	399.5%	607.3%	359.2%
Quick Ratio	321.8%	270.9%	466.4%	244.9%
Par Value (IDR)	25	25	25	25
Total Shares (mn)	48,160	48,160	48,160	48,160
Share Price (IDR)	456	600	600	600
Market Cap (IDR tn)	22.0	28.9	28.9	28.9

## BALANCE SHEET

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Cash	7,444	7,428	9,245	11,581
Receivables	102	138	95	162
Inventories	3,779	4,044	3,113	5,938
<b>Total Current Assets</b>	<b>12,253</b>	<b>12,557</b>	<b>13,417</b>	<b>18,657</b>
Net Fixed Assets	14,227	15,157	15,437	15,617
Other Non Current Assets	4,122	4,651	3,948	4,240
<b>Total Non Current Assets</b>	<b>18,349</b>	<b>19,807</b>	<b>19,385</b>	<b>19,857</b>
<b>Total Assets</b>	<b>30,602</b>	<b>32,365</b>	<b>32,802</b>	<b>38,514</b>
Payables	213	227	386	267
ST Debt	4	8	33	20
<b>Total Current Liabilities</b>	<b>2,634</b>	<b>3,143</b>	<b>2,209</b>	<b>5,194</b>
LT Debt	6,273	6,117	6,435	7,035
<b>Total Liabilities</b>	<b>9,884</b>	<b>10,081</b>	<b>9,105</b>	<b>12,811</b>
Capital Stock + APIC	1,566	1,566	1,566	1,566
Retained Earnings	15,778	17,236	19,065	21,072
<b>Shareholders' Equity</b>	<b>20,718</b>	<b>22,284</b>	<b>23,697</b>	<b>25,704</b>

## CASH FLOW STATEMENT

(IDR bn)	2022/12A	2023/12E	2024/12E	2025/12E
Operating Cash Flow	2,720	2,481	2,750	3,063
Investing Cash Flow	(1,574)	(2,348)	(663)	(1,112)
Financing Cash Flow	(247)	(122)	(270)	385
<b>Net Changes in Cash</b>	<b>898</b>	<b>11</b>	<b>1,818</b>	<b>2,336</b>

## VALUATION INDEX

	2022/12A	2023/12E	2024/12E	2025/12E
Price /Earnings	14.3x	14.7x	14.3x	13.1x
PE/EPS Growth	1.3x	0.5x	4.5x	1.4x
Price /Book Value	1.1x	1.3x	1.2x	1.1x
EV/EBITDA	7.1x	9.1x	8.2x	7.1x
EV (IDR bn)	20,793	27,593	26,118	24,370
Revenues CAGR (3-Yr)	-5.4%	-5.5%	16.5%	5.6%
Net Income CAGR (3-Yr)	-15.4%	-10.3%	29.6%	16.9%
Basic EPS (IDR)	32	41	42	46
BVPS (IDR)	430	463	492	534
DPS (IDR)	4.0	10.5	4.1	4.2

## OWNERSHIP

By Geography	%
Indonesia	83.5
United States	7.7
Luxembourg	5.6
Others	3.3
Shareholders	%
PT Pakuwon A	68.7
Goldman Sachs Group Inc	2.0
Vanguard Group Inc	1.7
Fil Ltd	1.3
Others	26.2

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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