

Pakuwon Jati (PWON)

Recurring Revenue Fuels Growth

Pakuwon Jati Tbk. (PWON) reported a massive 22.7% YoY increase in recurring revenue (IDR 3.42 trillion vs IDR 2.79 trillion) in 9M23. This is driven by a 20.1% rise in retail leasing revenue and a 38.1% increase in hotel & service apartment revenue. On the other hand, the company's pre-sales slipped by 12.7% YoY (IDR 1.02 trillion vs IDR 1.17 trillion) with landed property pre-sales (-32.2%) being the major catalyst for this slide.

Solid performance despite higher interest rates

- PWON recorded a slight 1.6% YoY increase in revenues (IDR 4.57 trillion vs IDR 4.50 trillion) and a 24.7% rise in net income (IDR 1.49 trillion vs IDR 1.19 trillion) despite higher interest rates in FY2023 compared to FY2022.
- Recurring revenues is the main contributor to this increase, making up 74.9% of all revenues in 9M23 compared to only 62.0% in 9M22.
- Both gross profit margin (55% vs 53%) and net profit margin (33% vs 27%) showed strong improvements, a testament to the firm's solid control over its cost of revenue and expenses.

Tourism continues march towards pre-pandemic levels

- Based on data from *Badan Pusat Statistik (BPS)*, the number of foreign tourists increased by approximately 63% YoY as figures approach pre-pandemic levels.
- This has been a boon for PWON's hotel revenue which increased by 41.3% YoY, with RevPar also rising by 15% (Sheraton Bali excluded). Quarterly hotel revenue is expected to grow in 4Q23 coming into the year-end holiday season.

Continued preparation for the future

- PWON continues to look into the future with the cash-financed acquisition of 12.4 ha of land in Batam and another 13.0 ha in Semarang.
- With this, the company's land bank increased by 3.5% YoY (481.7 ha vs 465.3 ha) with the majority of that (89%) located in Surabaya.
- Both the Batam and Semarang superblock is planned for development starting in 2025.

Recommend BUY with TP of IDR500

- We give PWON an BUY recommendation with a TP of IDR500, implying a PBV value of 1.3, approximately equal to PWON's 1-year SD +1. Price is currently trading at a PBV value of 1.10.
- Risks: 1) Indonesian General Election 2) Continued high interest rates 3) Fall in consumer purchasing power

Pakuwon Jati Tbk | Summary

in IDR bn	2022A	2023E	2024F	2025F
Revenue	5,987	6,315	6,890	7,484
Revenue growth	4.8%	5.5%	9.1%	8.6%
Net profit	1,539	1,989	2,109	2,407
EPS (IDR)	32	41	44	50
Net Profit growth	11.3%	29.3%	6.0%	14.1%
NPM	25.7%	31.5%	30.6%	32.2%
ROE	7.7%	9.2%	9.2%	10.3%
ROA	5.2%	6.3%	6.5%	7.3%
P/E	13.4x	10.4x	9.8x	8.6x
P/BV	1.0x	0.9x	0.9x	0.9x
EV/EBITDA	7.8x	7.6x	7.3x	6.9x

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Update | Nov 29, 2023

Buy

Target Price (IDR)	500
Consensus Price (IDR)	577
TP to Consensus Price	-13.3%
Potential Upside	+16.8%

Shares data

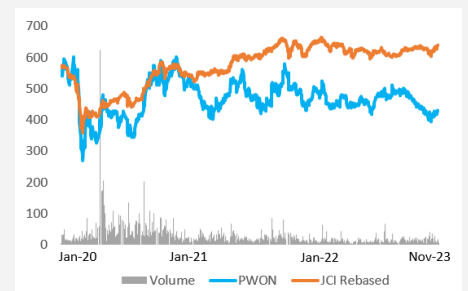
Last Price (IDR)	428
Price Date as of	Nov 28, 2023
52 wk Range (Hi/Lo)	525/392
Free Float (%)	31.29
Outstanding sh.(mn)	48,159
Market Cap (IDR bn)	20.612
Market Cap (USD mn)	1,332
Avg. Trd Vol - 3M (mn)	34.73
Foreign Ownership (%)	16.4

Property

Real Estate Management & Development

Bloomberg	PWON.IJ
Reuters	PWON.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-5.7%	6.5%	-7.4%	-10.8%
Rel. Ret.	-8.5%	2.3%	-9.1%	-11.2%

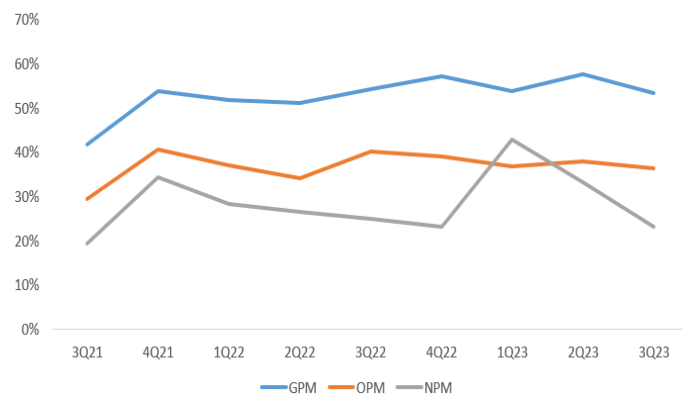
Axell Ebenhaezer (Mining & Property)

(021) 50889133

axell.ebenhaezer@nhsec.co.id

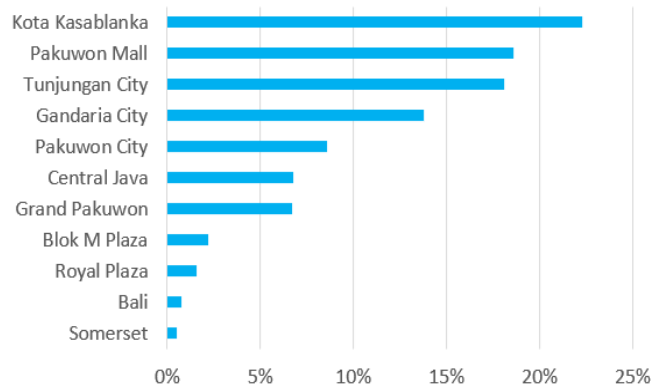
Performance Highlights in Charts

PWON Quarterly Profit Margins | 3Q21 - 3Q23



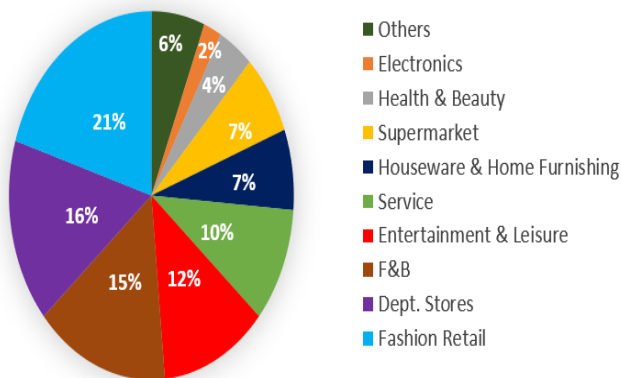
Source: Company Data, NHKSI Research

PWON Revenue Breakdown by Project | 9M23



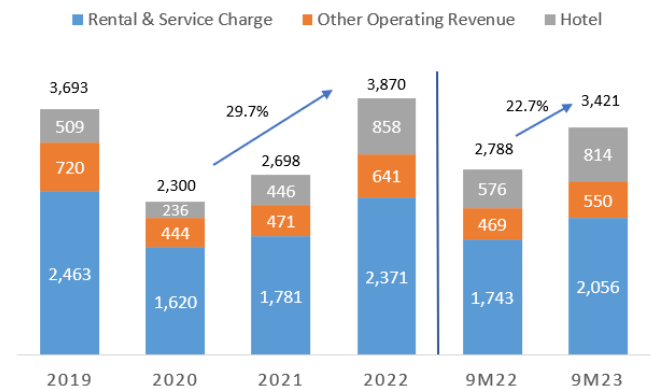
Source: Company Data, NHKSI Research

PWON Retail Lease Area by Industry | 9M23



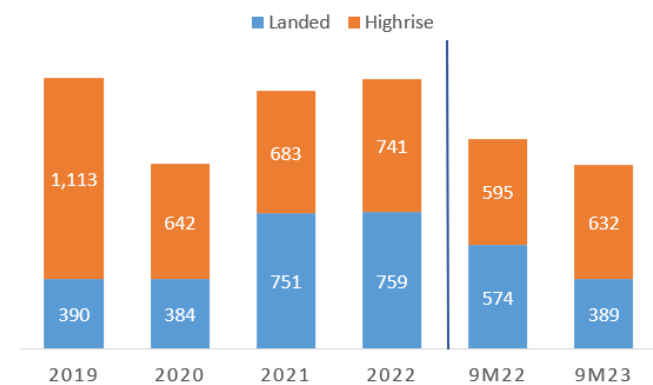
Source: Company Data, NHKSI Research

PWON Recurring Revenue Breakdown (IDR Bn) | 2019-2023



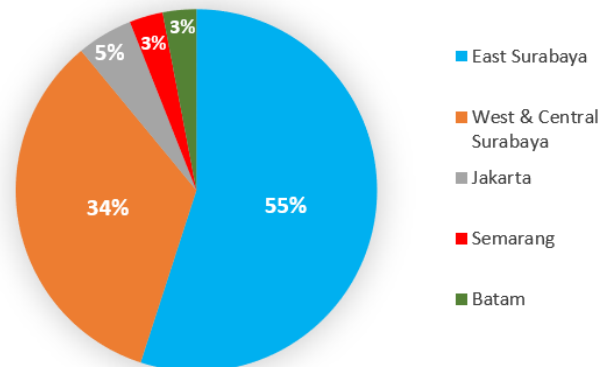
Source: Company Data, NHKSI Research

PWON Pre-sales (IDR Bn) | 2019-2023



Source: Company Data, NHKSI Research

PWON Land Bank Location | 9M23



Source: Company Data, NHKSI Research

Summary of Financials

INCOME STATEMENT

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Revenue	5,987	6,315	6,890	7,484
Growth	4.8%	5.5%	9.1%	8.6%
COGS	2,769	2,858	3,024	3,187
Gross Profit	3,219	3,455	3,865	4,298
Gross Margin	53.8%	54.7%	56.1%	57.4%
Operating Expenses	(956)	(1,129)	(1,195)	(1,259)
EBIT	2,264	2,327	2,671	3,039
EBIT Margin	37.8%	36.9%	38.8%	40.6%
Depreciation	680	709	506	529
EBITDA	2,944	3,036	3,176	3,568
EBITDA Margin	49.2%	48.1%	46.1%	47.7%
EBT	1,840	2,295	2,438	2,809
Income Tax	9	7	7	8
Minority Interest	292	299	322	394
Net Profit	1,539	1,989	2,109	2,407
Growth	11.3%	29.3%	6.0%	14.1%
Net Profit Margin	25.7%	31.5%	30.6%	32.2%

BALANCE SHEET

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Cash	7,444	7,067	6,848	5,524
Receivables	102	107	113	120
Inventories	3,779	3,858	4,104	4,347
Total Current Assets	12,253	12,482	12,660	11,666
Net Fixed Assets	17,249	17,853	18,079	19,375
Other Non Current Assets	1,099	1,740	1,909	1,956
Total Assets	30,602	32,075	32,648	32,996
Payables	619	683	767	858
ST Debt	4	16	24	14
LT Debt	6,273	6,059	6,018	5,860
Total Liabilities	9,884	9,521	9,497	9,500
Capital Stock	1,204	1,204	1,204	1,204
Retained Earnings	15,778	17,455	18,222	18,162
Shareholders' Equity	20,718	22,554	23,151	23,496

CASH FLOW STATEMENT

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Operating Cash Flow	3,032	2,772	2,980	3,354
Investing Cash Flow	(1,683)	(2,719)	(2,750)	(4,100)
Financing Cash Flow	(452)	(411)	(413)	(555)
Net Changes in Cash	1,014	(365)	(219)	(1,324)

PROFITABILITY & STABILITY

	2022/12A	2023/12F	2024/12F	2025/12F
ROE	7.7%	9.2%	9.2%	10.3%
ROA	5.2%	6.3%	6.5%	7.3%
Inventory Turnover	1.6	1.6	1.7	1.7
Days Inventory Outstanding	230.4	223.0	217.4	212.0
Receivables Turnover	61.9	64.4	60.7	62.3
Account Receivable Days	5.9	5.7	6.0	5.9
Dividend Yield (%)	1.9%	1.5%	1.7%	1.8%
Payout Ratio (%)	25.0%	15.7%	16.3%	15.7%
DER	30.3%	26.9%	26.1%	25.0%
Current Ratio	4.7	5.2	5.1	4.5
Quick Ratio	4.3	4.6	4.5	3.8
DAR	21%	19%	19%	18%
Total Shares (mn)	48,159	48,159	48,159	48,159
Share Price (IDR)	428	428	428	428
Market Cap (IDR tn)	20.6	20.6	20.6	20.6

VALUATION INDEX

	2022/12A	2023/12F	2024/12F	2025/12F
Price/Earnings	13.4x	10.4x	9.8x	8.6x
Price/Book Value	1.0x	0.9x	0.9x	0.9x
EV/EBITDA	7.8x	7.6x	7.3x	6.9x
EV (IDR bn)	22,856	23,173	23,171	24,749
BVPS (IDR)	430	468	481	488
Basic EPS (IDR)	32	41	44	50

TOP OWNERSHIP

Shareholders	%
PT Pakuwon Arthaniaga	68.68
Goldman Sachs Group	2.02
Vanguard Group	1.96

By Geography	%
Indonesia	83.4
United States	7.9
Luxembourg	6.1

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%

DISCLAIMER

This document is strictly confidential and is being supplied to you solely for your information. The recipients of this report must make their own independent decisions regarding any securities or financial instruments mentioned herein. This document may not be quoted, reproduced, exhibited, redistributed, transmitted, edited, translated, or published, in whole or in part, for any purpose without notice. Any failure to comply with this restriction may constitute a violation of civil or criminal laws.

This report and any electronic access hereto are restricted and intended only for the clients and related entities of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information hereof is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, and agents are held harmless from any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents are liable for errors, omissions, misstatements, negligence, inaccuracy contained herein. All rights reserved by PT NH Korindo Sekuritas Indonesia.