

Pakuwon Jati (PWON)

Net Income Slips Due To Weakening Rupiah

PT Pakuwon Jati Tbk. (PWON) recorded a 35.9% YoY fall in net income (IDR 421.6 billion vs IDR 658.4 billion) for 1Q24. However, this decline is caused due to macro factors and is of little concern, since the company itself has shown stable YoY growth. Revenue rose by 10.5% YoY (IDR 1,530 billion vs IDR 1,384 billion), gross profit increased by 14% (IDR 851.5 billion vs IDR 747.1 billion), while EBITDA climbed by 8% YoY. There is also a slight improvement in gross profit margin from 54% to 55.6%

A deceptive financial statement due to a weakening Rupiah

- The previously mentioned decline in net profit for 1Q24 may in itself appear worrying, however it was caused not by company underperformance but rather by the weakening of the Rupiah.
- USD/IDR exchange rates have been slowly increasing since the middle of 2023, and are currently trading comfortably above the Rp 16,000 level, a level not reached since the Covid pandemic.
- As a result, PWON recorded a IDR 127.8 billion loss from forex.
- However this negative sentiment is temporary and does not affect the company's long term prospects or investment suitability.
- Furthermore, a weaker Rupiah will not inflate PWON's construction costs by too much, such as for the IKN project, since a majority of their materials are sourced locally.

Strong marketing sales & recurring revenue, CAPEX plan outlined

- PWON reported a solid IDR 385 billion in 1Q24 marketing sales (IDR 158 billion for landed houses, IDR 227 billion for high rises), marking a 29% YoY increase from IDR 298 billion in 1Q23.
- This is caused by the government's tax incentive program PPN DTP, which continues until the end of the year. PWON is on track to reach its marketing sales target for 2024 of IDR 1.5 trillion.
- Recurring revenue, which contributed 78% of total revenue in 1Q24, also showed a moderate 10.8% YoY increase (IDR 1,201 billion vs IDR 1,084 billion) caused by higher mall occupancy & rise in rental revenue.
- PWON also reported IDR 323 billion in CAPEX spending for 1Q24, reflecting 14.8% of the company's 2024 CAPEX budget of IDR 2.71 trillion. 1Q24 CAPEX was used for the Pakuwon Mall Bekasi project, Pakuwon City Mall phase 3 expansion, and purchase of new land in the Pakuwon City area.

IKN project marches on

- With the election result announced and the new government expected to continue its predecessor's policies regarding IKN, PWON's IKN construction project keeps marching on.
- PWON's IKN project will be divided into 3 phases, with the first phase having a budget of IDR 650 billion and is scheduled for construction in 3Q24. The total budget for the entire superblock project was slated at IDR 5 trillion.
- This first phase includes construction of a 295-room 4-star hotel which will be managed in conjunction with Four Points by Sheraton, as well as a shopping mall.
- PWON is also currently constructing a terminal for electric buses for IKN and its surrounding cities, and construction is expected to be completed by the end of 2024.

Recommend Buy with TP of IDR 530

- We are giving PWON a Buy recommendation with a target price of IDR 530. This implies a PBV of 1.32x, which is equivalent to its 3-year PBV mean. Price is currently trading at a PBV of 1.0x.
- Risks: 1) Interest Rates 2) Change in government policy 3) Fall in consumer spending power

Pakuwon Jati Tbk | Summary

in IDR bn	2023A	2024E	2025F	2026F
Revenue	6,201	6,771	7,314	7,829
Revenue growth	3.6%	9.2%	8.0%	7.0%
Net profit	2,104	2,265	2,429	2,626
EPS (IDR)	44	47	50	55
Net Profit growth	36.7%	7.6%	7.3%	8.1%
NPM	33.9%	33.5%	33.2%	33.5%
ROE	9.7%	10.2%	10.8%	10.8%
ROA	6.6%	7.0%	7.4%	7.6%
P/E	10.4x	9.6x	8.9x	8.3x
P/BV	1.0x	1.0x	0.9x	0.9x
EV/EBITDA	7.8x	8.3x	7.4x	6.9x

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Update | Jun 20, 2024

Buy

Target Price (IDR)	530
Consensus Price (IDR)	562
TP to Consensus Price	-5.7%
Potential Upside	35.9%

Shares data

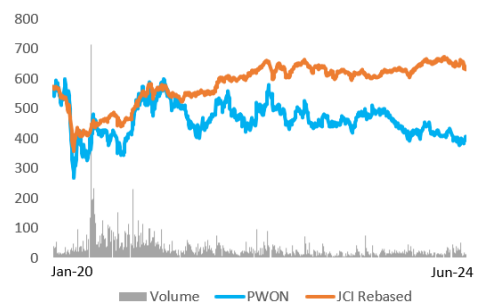
Last Price (IDR)	390
Price Date as of	June 19, 2024
52 wk Range (Hi/Lo)	505/374
Free Float (%)	31.29
Outstanding sh.(mn)	48,159
Market Cap (IDR bn)	19,263.6
Market Cap (USD mn)	1,173.8
Avg. Trd Vol - 3M (mn)	38.14
Foreign Ownership (%)	16.4

Property

Real Estate Management & Development

Bloomberg	PWON.IJ
Reuters	PWON.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-11.9%	4.2%	-1.5%	-19.4%
Rel. Ret.	-6.1%	7.5%	5.7%	-21.3%

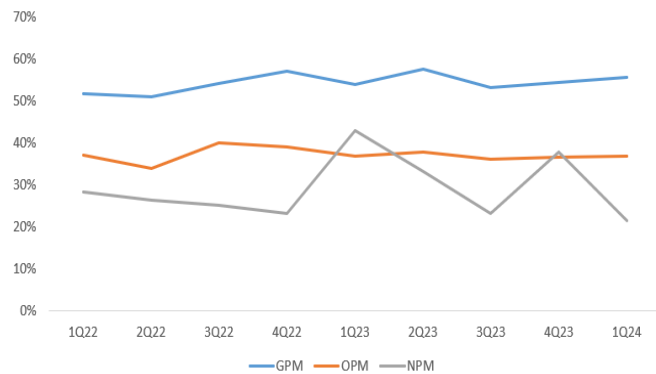
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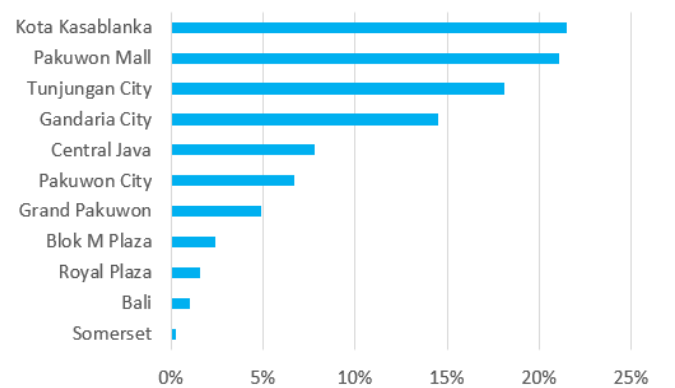
Performance Highlights in Charts

PWON Quarterly Profit Margins | 1Q22 - 1Q24



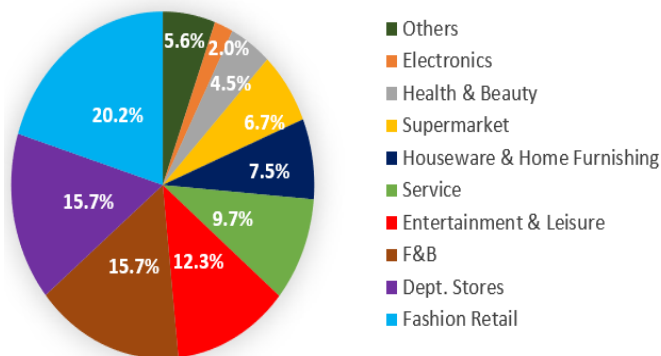
Source: Company Data, NHKSI Research

PWON Revenue Breakdown by Project | 1Q24



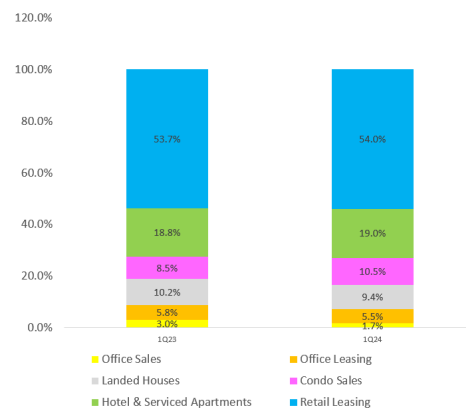
Source: Company Data, NHKSI Research

PWON Retail Lease Area by Industry | 1Q24



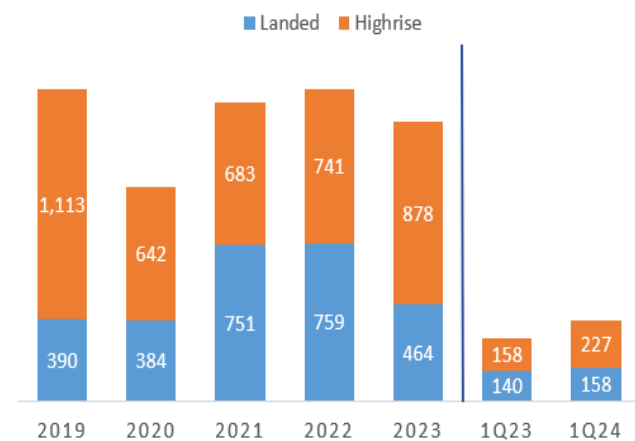
Source: Company Data, NHKSI Research

PWON Rev. Breakdown by Segment (IDR Bn) | 1Q23 vs 1Q24



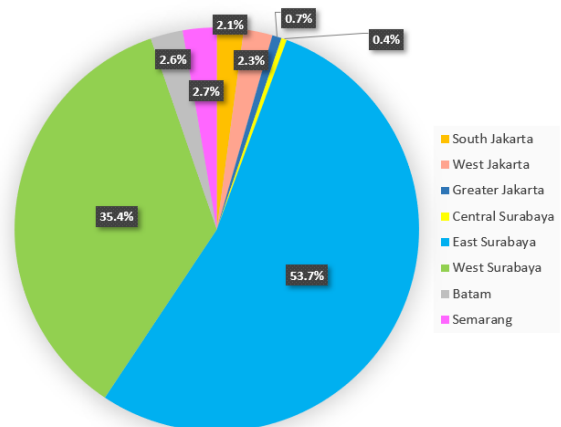
Source: Company Data, NHKSI Research

PWON Pre-sales (IDR Bn) | 2019-2024



Source: Company Data, NHKSI Research

PWON Land Bank Location | 1Q24



Source: Company Data, NHKSI Research

Summary of Financials

INCOME STATEMENT				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Revenue	6,201	6,771	7,314	7,829
Growth	3.6%	9.2%	8.0%	7.0%
COGS	2,799	2,905	3,110	3,407
Gross Profit	3,400	3,866	4,204	4,422
Gross Margin	54.8%	57.1%	57.5%	56.5%
Operating Expenses	(1,109)	(1,127)	(1,231)	(1,340)
EBIT	2,292	2,739	2,973	3,081
EBIT Margin	37.0%	40.5%	40.6%	39.4%
Depreciation	698	209	242	249
EBITDA	2,990	2,948	3,214	3,330
EBITDA Margin	48.2%	43.5%	43.9%	42.5%
EBT	2,402	2,617	2,827	3,028
Income Tax	20	19	19	23
Minority Interest	277	333	378	379
Net Profit	2,104	2,265	2,429	2,626
Growth	36.7%	7.6%	7.3%	8.1%
Net Profit Margin	33.9%	33.5%	33.2%	33.5%

BALANCE SHEET				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Cash	8,398	7,599	8,177	9,308
Receivables	110	121	128	139
Inventories	3,943	4,340	4,652	4,884
Total Current Assets	13,055	12,657	13,549	14,917
Net Fixed Assets	17,887	17,695	18,185	18,718
Other Non Current Assets	1,768	1,712	1,797	1,907
Total Assets	32,711	32,064	33,530	35,542
Payables	640	720	801	883
ST Debt	13	25	13	16
LT Debt	6,145	6,477	6,103	6,029
Total Liabilities	9,916	10,391	10,179	10,352
Capital Stock	1,204	1,204	1,204	1,204
Retained Earnings	17,570	16,242	17,545	18,954
Shareholders' Equity	22,795	21,673	23,352	25,190

CASH FLOW STATEMENT				
(IDR bn)	2023/12A	2024/12F	2025/12F	2026/12F
Operating Cash Flow	2,735	3,474	3,253	3,380
Investing Cash Flow	(2,296)	(4,209)	(1,873)	(1,775)
Financing Cash Flow	(261)	(27)	(778)	(497)
Net Changes in Cash	171	(799)	578	1,131

PROFITABILITY & STABILITY				
	2023/12A	2024/12F	2025/12F	2026/12F
ROE	9.7%	10.2%	10.8%	10.8%
ROA	6.6%	7.0%	7.4%	7.6%
Inventory Turnover	1.6	1.6	1.6	1.6
Days Inventory Outstanding	232.1	233.9	232.1	227.7
Receivables Turnover	56.2	56.2	57.0	56.4
Account Receivable Days	6.5	6.5	6.4	6.5
Dividend Yield (%)	1.4%	1.6%	1.8%	2.0%
Payout Ratio (%)	14.8%	15.2%	16.2%	16.5%
DER	27.0%	30.0%	26.2%	24.0%
Current Ratio	5.2	4.5	4.5	4.7
Quick Ratio	4.9	4.2	4.3	4.5
DAR	19%	20%	18%	17%
Total Shares (mn)	48,159	48,159	48,159	48,159
Share Price (IDR)	454	450	450	450
Market Cap (IDR tn)	21.9	21.7	21.7	21.7

VALUATION INDEX				
	2023/12A	2024/12F	2025/12F	2026/12F
Price/Earnings	10.4x	9.6x	8.9x	8.3x
Price/Book Value	1.0x	1.0x	0.9x	0.9x
EV/EBITDA	7.8x	8.3x	7.4x	6.9x
EV (IDR bn)	23,323	24,458	23,883	23,109
BVPS (IDR)	473	450	485	523
Basic EPS (IDR)	44	47	50	55

TOP OWNERSHIP	
Shareholders	%
PT Pakuwon Arthaniaga	68.68
Alexander Tedja	0.02
Public	31.01

By Geography	
Indonesia	84.3
United States	7.4
Luxembourg	4.9

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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