

Tuesday, 23 January 2018

HOLD
Downgrade

Last price (IDR)	700
Target Price (IDR)	720
Upside/Downside	+2.9%
Previous Target Price (IDR)	720

Stock Statistics

Sector	Property
Bloomberg Ticker	PWON IJ
No of Shrs (mn)	48,160
Mkt. Cap (IDRbn/USDmn)	33,712/2,532
Avg. daily T/O (IDRbn/USDmn)	17.3/1.3

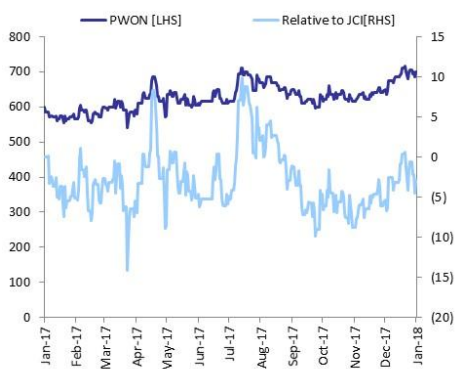
Major shareholders (%)

Pakuwon Arthaniaga	56.1
Alexander Tedja	0.0
Estimated free float	30.2

EPS Consensus (IDR)

	2017F	2018F	2019F
Danareksa	40.2	49.5	55.4
Consensus	40.8	45.9	51.6
Danareksa/Cons	(1.4)	7.8	7.4

PWON relative to JCI Index



Source : Bloomberg



Antonia Febe Hartono, CFA

(62-21) 2955 5888 ext.3504
antonia.hartono@danareksa.com



Natalia Sutanto

(62-21) 2955 5888 ext.3508
natalia.sutanto@danareksa.com

Pakuwon Jati(PWON IJ)

Fully valued

We downgrade our recommendation on PWON from BUY to HOLD while retaining our Target Price of IDR720, noting that the recent increase in the share price has resulted in the stock being fully valued. The 2017 marketing sales reached IDR2.5tn, +10.1%yoy - INLINE with the management's target (96.4%) yet slightly above our target (105.6%). The impressive performance mainly came from the higher contribution of the landed residential projects (+37.8%yoy). For 2018, the company only expects flat marketing sales of IDR2.6tn (+3.7%yoy).

2017 marketing sales: inline with expectations. PWON recorded marketing sales of IDR2.5tn in 2017, +10.1%yoy. This figure is slightly above our marketing sales target of IDR2.3tn (105.6%) yet inline with the management's target of IDR2.6tn (96.4%). Sales of landed residential property at Pakuwon City and Grand Pakuwon contributed around 14-16% (each) of the total marketing sales. Meanwhile, for high-rise projects, PWON mainly sold property in its existing projects as the company did not conduct any new product launches for its high-rise projects in 2017.

A more conservative outlook for 2018. For 2018, PWON only targets marketing sales of IDR2.6tn (+3.7%yoy), relatively flat year-on-year. While the company expects to launch a new greenfield project in Bekasi towards the end of 2018, PWON is taking a "wait and see" stance in regard to the Presidential election in 2019, and thus the company has not included the expected marketing sales proceeds from this project into its numbers. Sharing the same view, we also expect the company to record flat marketing sales of IDR2.6tn in 2018. We believe that upside from our marketing sales target would potentially be driven from this new project.

New tower launching in 1Q18. PWON plans to launch a new apartment tower named La Vis in Pakuwon Mall phase 4 in 1Q18. With the units ranging from 66-174sqm in size, PWON will offer the apartments at prices from IDR1.8-4.7bn/unit (implying IDR27mn/sqm). Although these prices are higher than the prices offered for its preceding apartment towers (Anderson and Benson at IDR19-22mn/sqm), we remain upbeat on the expected marketing sales proceeds in view of the good traffic at Pakuwon Mall in addition to good marketing sales achievement from the more premium apartments offered in the Pakuwon Mall phase 3 (IDR206bn, +6.7%yoy).

Downgrade to HOLD: Fully valued. Despite the encouraging marketing sales in 2017, we downgrade our recommendation on PWON from BUY to HOLD, while retaining our Target Price of IDR720 (SOTP based valuation with WACC of 12.6%, Terminal Value of 4.0%, and 40% target discount to NAV, noting that the recent increase in the share price has resulted in limited upside to our Target Price.

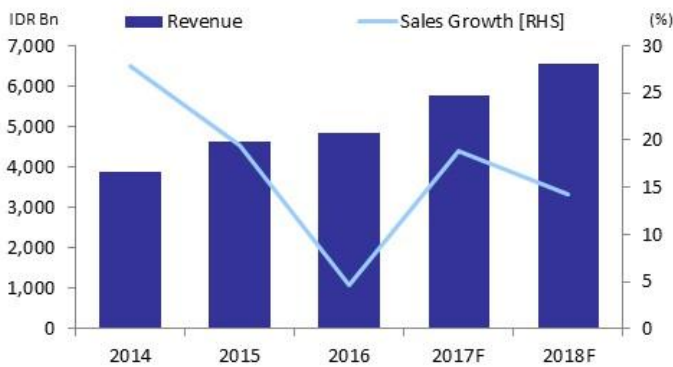
Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (IDRbn)	4,625	4,841	5,749	6,564	6,888
EBITDA (IDRbn)	2,558	2,593	3,010	3,347	3,514
EBITDA Growth (%)	3.5	1.4	16.1	11.2	5.0
Net profit (IDRbn)	1,262	1,671	1,937	2,384	2,668
EPS (IDR)	26.2	34.7	40.2	49.5	55.4
EPS growth (%)	(49.8)	32.4	15.9	23.1	11.9
BVPS (IDR)	149.9	180.3	214.6	257.2	304.1
DPS (IDR)	4.5	4.5	5.9	6.9	8.5
PER (x)	24.8	18.7	16.2	13.1	11.7
PBV (x)	4.3	3.6	3.0	2.5	2.1
Dividend yield (%)	0.7	0.7	0.9	1.1	1.3
EV/EBITDA (x)	13.4	13.2	11.2	9.7	8.9

Source : PWON, Danareksa Estimates

W

Exhibit 1. REVENUE AND GROWTH



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. NET PROFIT AND GROWTH



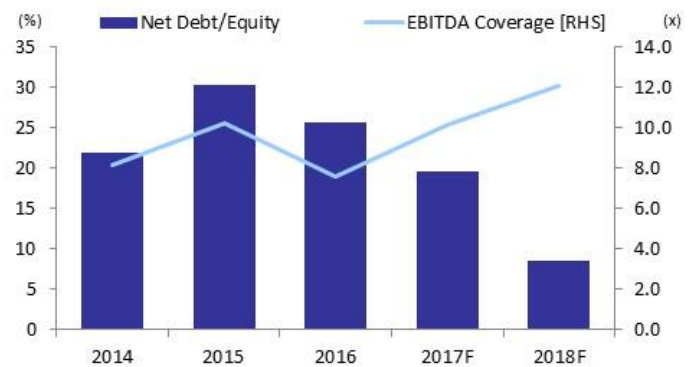
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. MARGINS



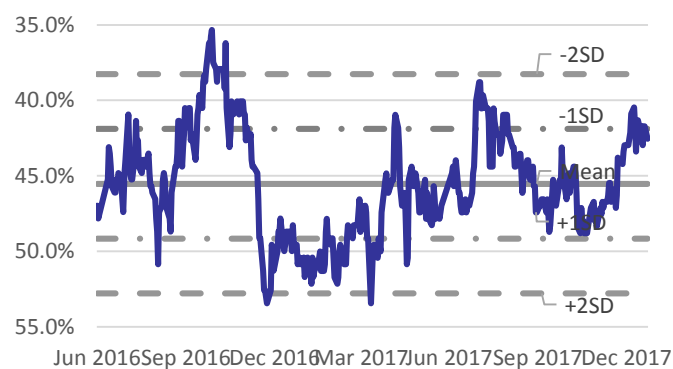
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. GEARING LEVEL



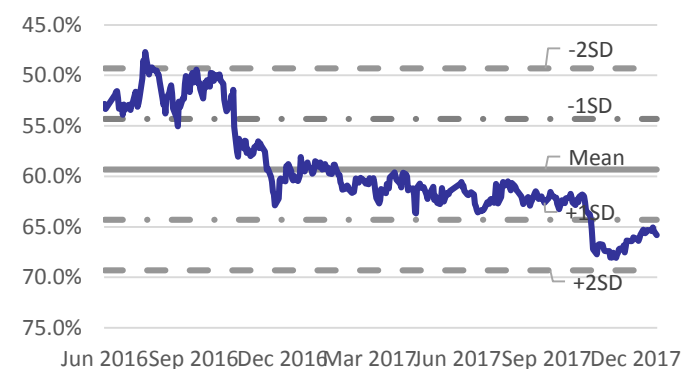
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PWON's discount to NAV



Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Property sector's discount to NAV



Source: Company, Danareksa Sekuritas estimates

Exhibit 7. Forecast changes

in Rp bn	2016	Previous		New		Changes	
		2017	2018	2017	2018	2017	2018
Marketing sales	2,277	2,374	2,637	2,506	2,600	5.6%	-1.4%
Revenue	4,856	5,726	6,609	5,749	6,564	0.4%	-0.7%
Gross profit	2,724	3,186	3,565	3,213	3,574	0.8%	0.3%
Operating profit	2,296	2,676	3,027	2,702	3,036	1.0%	0.3%
Net profit	1,757	1,913	2,373	1,937	2,384	1.3%	0.5%

Source: Company, Danareksa Sekuritas estimates

Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Revenue	4,625	4,841	5,749	6,564	6,888
COGS	(1,957)	(2,088)	(2,536)	(2,990)	(3,122)
Gross profit	2,669	2,754	3,213	3,574	3,766
EBITDA	2,558	2,593	3,010	3,347	3,514
Oper. profit	2,265	2,260	2,702	3,036	3,205
Interest income	176	112	122	179	326
Interest expense	(251)	(342)	(297)	(278)	(247)
Forex Gain/(Loss)	(277)	58	29	12	0
Income From Assoc. Co's	(3)	(9)	0	0	0
Other Income (Expenses)	(169)	(23)	(144)	(3)	(6)
Pre-tax profit	1,741	2,057	2,412	2,946	3,278
Income tax	(341)	(276)	(348)	(405)	(435)
Minority interest	(139)	(109)	(127)	(156)	(175)
Net profit	1,262	1,671	1,937	2,384	2,668
Core Net Profit	1,539	1,613	1,908	2,372	2,668

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Cash & cash equivalent	2,071	2,432	2,985	4,081	4,798
Receivables	302	237	502	573	602
Inventory	2,254	2,860	3,435	3,981	4,500
Other Curr. Asset	570	395	469	536	563
Fixed assets - Net	1,457	1,700	1,787	1,897	2,008
Other non-curr.asset	11,912	12,848	13,519	14,250	14,971
Total asset	18,778	20,674	22,940	25,611	27,793
ST Debt	536	769	413	754	1,020
Payables	313	312	435	513	536
Other Curr. Liabilities	959	1,034	1,089	1,239	1,296
Long Term Debt	4,396	4,479	5,044	4,581	3,866
Other LT. Liabilities	3,119	3,059	3,288	3,802	4,093
Total Liabilities	9,323	9,654	10,270	10,889	10,811
Shareholder's Funds	7,219	8,684	10,334	12,386	14,646
Minority interests	2,236	2,336	2,336	2,336	2,336
Total Equity & Liabilities	18,778	20,674	22,940	25,611	27,793

Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2015A	2016A	2017F	2018F	2019F
Net income	1,262	1,671	1,937	2,384	2,668
Depreciation and Amort.	271	333	308	311	309
Change in Working Capital	(634)	(294)	(737)	(457)	(494)
Other Oper. Cash Flow	463	182	364	562	148
Operating Cash Flow	1,361	1,893	1,871	2,800	2,631
Capex	(1,494)	(2,154)	(811)	(971)	(957)
Others Inv. Cash Flow	(590)	745	(174)	(51)	84
Investing Cash Flow	(2,084)	(1,409)	(985)	(1,022)	(873)
Net change in debt	997	332	209	(123)	(449)
New Capital	0	0	0	0	0
Dividend payment	(216)	(216)	(286)	(332)	(409)
Other Fin. Cash Flow	(796)	(238)	(257)	(227)	(183)
Financing Cash Flow	(15)	(122)	(334)	(682)	(1,041)
Net Change in Cash	(738)	361	552	1,096	718
Cash - begin of the year	2,809	2,071	2,432	2,985	4,081
Cash - end of the year	2,071	2,432	2,985	4,081	4,798

Exhibit 11. Key Ratios

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Growth (%)					
Sales	19.4	4.7	18.7	14.2	4.9
EBITDA	3.5	1.4	16.1	11.2	5.0
Operating profit	19.9	(0.2)	19.6	12.4	5.5
Net profit	(49.8)	32.4	15.9	23.1	11.9
Profitability (%)					
Gross margin	57.7	56.9	55.9	54.4	54.7
EBITDA margin	55.3	53.6	52.4	51.0	51.0
Operating margin	49.0	46.7	47.0	46.3	46.5
Net margin	27.3	34.5	33.7	36.3	38.7
ROAA	7.1	8.5	8.9	9.8	10.0
ROAE	18.8	21.0	20.4	21.0	19.7
Leverage					
Net Gearing (x)	0.3	0.3	0.2	0.1	0.0
Interest Coverage (x)	9.0	6.6	9.1	10.9	13.0

Source : PWON, Danareksa Estimates

DISCLAIMER

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Danareksa Sekuritas and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of P.T. Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or mis-statements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission therefrom which might otherwise arise is hereby expressly disclaimed.

The information contained in this report is not to be taken as any recommendation made by P.T. Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regard to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.