

Monday, 29 June 2020

BUY
Maintain

Last price (IDR)	424
Target Price (IDR)	490
Upside/Downside	+15.6%
Previous Target Price (IDR)	490

Stock Statistics

Sector	Property
Bloomberg Ticker	PWON IJ
No of Shrs (mn)	48,160
Mkt. Cap (IDRbn/USDmn)	20,420/1,436
Avg. daily T/O (IDRbn/USDmn)	41.2/2.9

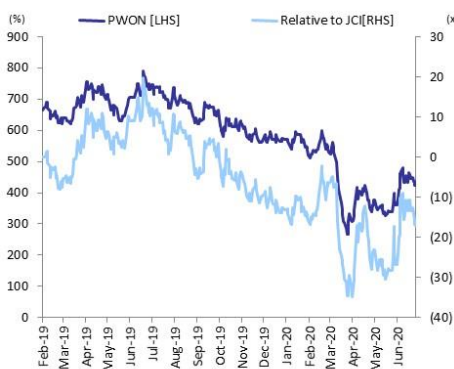
Major shareholders (%)

Pakuwon Arthaniaga	69.7
Alexander Tedja	0.0
Estimated free float	31.3

EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	44.3	57.4	60.5
Consensus	42.2	46.7	45.4
Danareksa/Cons	5.0	22.9	33.2

PWON relative to JCI Index



Source : Bloomberg



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Pakuwon Jati (PWON IJ)

Revenues growth streak ended

PWON reported net profits of only IDR67bn in 1Q20 (-91% y-o-y, -88% q-o-q) as a result of forex losses caused by significant rupiah depreciation at the end of Mar 20. Despite booking 4% lower revenues y-o-y, PWON was able to book core net profits of IDR679bn (+7% y-o-y) mainly due to normalization of minority interests.

PWON recorded negative growth in revenues. PWON reported revenues of IDR1.65tn in 1Q20 (-4% y-o-y, -16% q-o-q) as it recorded -9% y-o-y revenues from development property, slightly offset by 1% y-o-y higher revenues from investment property. The negative y-o-y revenues growth in 1Q20 ended its revenues growth streak which lasted more than 10 years. However, due to the different accounting treatment between 2019 and 2020, we can say that the comparison between revenues recognition from development property is not an apple to apple comparison. The higher investment property revenues in 1Q20 indicate that the impact of COVID-19 was limited during the quarter as the outbreak began in the middle of March.

Higher core profits from normalization of minority interests. Despite recording 2% lower operating profits y-o-y, PWON was able to book positive core net profits of IDR679bn (+7% y-o-y). This mainly reflected the normalization of profits attributable to minority interests. PWON recorded a high minority interests portion in 2019 due to the handover of its apartment, Benson.

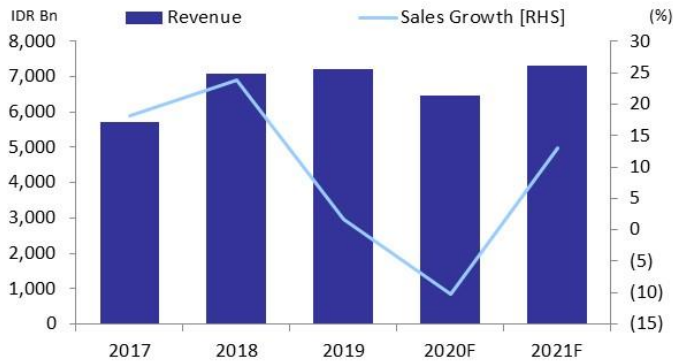
Net profits sank due to unrealized forex losses. The surprisingly low reported net profits of IDR67bn in 1Q20 mainly owe to forex losses which arose from its USD denominated bonds and the significant rupiah depreciation at the end of March 2020. The use of corridor hedging prevented PWON from using hedge accounting which had been widely used since early 2020. As such, we expect PWON to reverse the forex losses in 2Q20.

Maintain BUY with an unchanged TP of IDR490. We maintain our BUY call on PWON as we believe the stock's valuation is attractive given its high investment property portion amid the relaxation of high scale social distancing restrictions. Our TP of IDR490 is derived by applying a 57% discount to RNAV (-1SD of its five-year average) to take into account uncertainty arising from the COVID-19 pandemic.

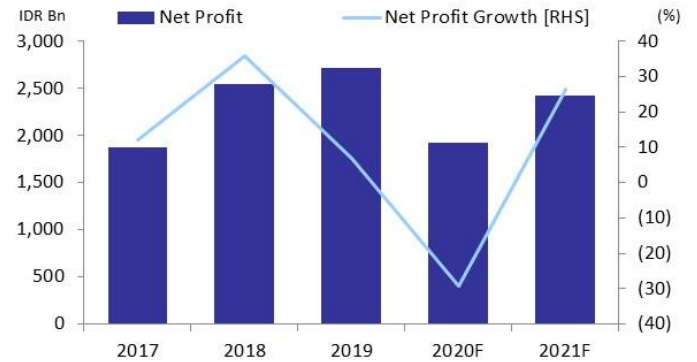
Key Financials

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Revenue (IDRbn)	7,081	7,202	6,380	7,372	7,618
EBITDA (IDRbn)	3,962	3,952	3,400	3,410	3,501
EBITDA Growth (%)	24.8	(0.2)	(14.0)	0.3	2.7
Net profit (IDRbn)	2,543	2,720	2,132	2,763	2,911
EPS (IDR)	52.8	56.5	44.3	57.4	60.5
EPS growth (%)	35.8	6.9	(21.6)	29.6	5.4
BVPS (IDR)	261.5	310.9	348.7	401.1	455.0
DPS (IDR)	6.0	6.0	6.4	5.0	6.5
PER (x)	11.9	11.2	14.2	11.0	10.4
PBV (x)	2.4	2.0	1.8	1.6	1.4
Dividend yield (%)	1.0	1.0	1.0	0.8	1.0
EV/EBITDA (x)	7.9	7.8	8.8	8.3	7.5

Source : PWON, Danareksa Estimates

Exhibit 1. Revenues and Growth


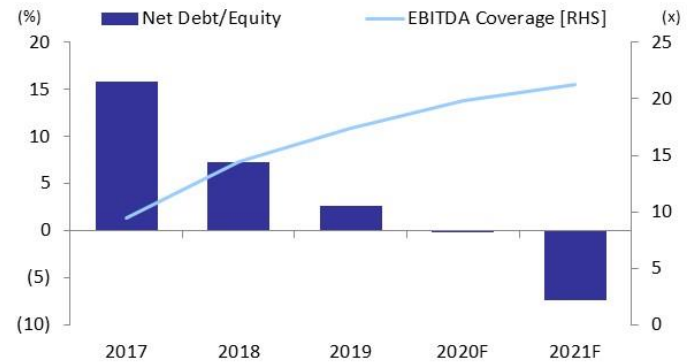
Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth


Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins


Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level


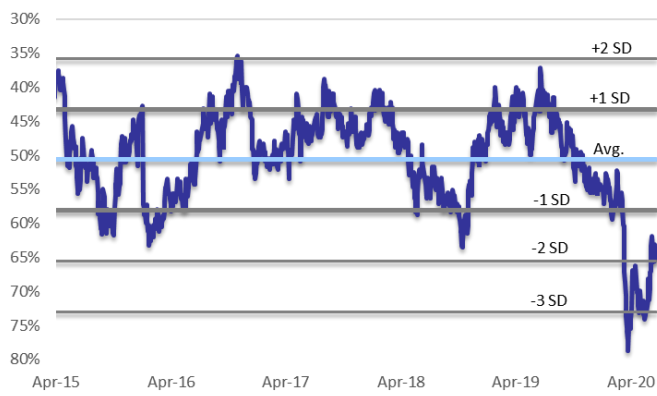
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PWON 1Q20 results summary

PWON (IDR bn)	1Q19	4Q19	1Q20	y-o-y	q-o-q	3M19	3M20	y-o-y	FY20F	FY20C	A/F	A/C
Revenue	1,711	1,962	1,651	-4%	-16%	1,711	1,651	-4%	6,380	5,753	26%	29%
COGS	(724)	(972)	(673)	-7%	-31%	(724)	(673)	-7%	(2,843)	(2,455)	24%	27%
Gross Profit	987	990	977	-1%	-1%	987	977	-1%	3,537	3,298	28%	30%
Total Opex	(123)	(184)	(129)	5%	-30%	(123)	(129)	5%	(617)	(428)	21%	30%
Operating Profit	864	805	848	-2%	5%	864	848	-2%	2,920	2,871	29%	30%
Pretax Profit	958	866	223	-77%	-74%	958	223	-77%	2,716	2,559	8%	9%
Net Profit	721	569	67	-91%	-88%	721	67	-91%	1,883	2,063	4%	3%
Core profit	636	522	679	7%	30%	636	679	7%	2,139	-	32%	
Gross margin	57.7%	50.5%	59.2%	1.5%	8.7%	57.7%	59.2%	1.5%	55.4%	57.3%		
Operating margin	50.5%	41.1%	51.4%	0.9%	10.3%	50.5%	51.4%	0.9%	45.8%	49.9%		
Net margin	42.1%	29.0%	4.0%	-38.1%	-25.0%	42.1%	4.0%	-38.1%	29.5%	35.9%		

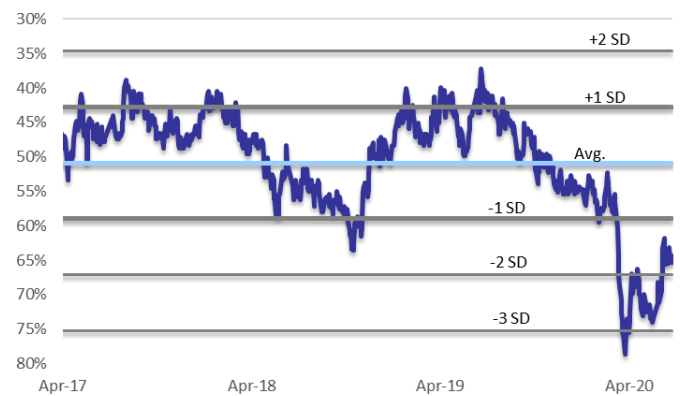
Source: Company, Danareksa Sekuritas estimates

Exhibit 6. Discount to NAV Band Chart (5-year)



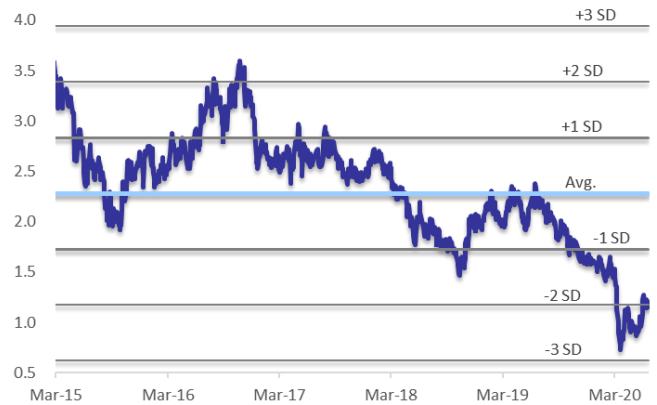
Source: Company, Danareksa Sekuritas estimates

Exhibit 7. Discount to NAV Band Chart (3-year)



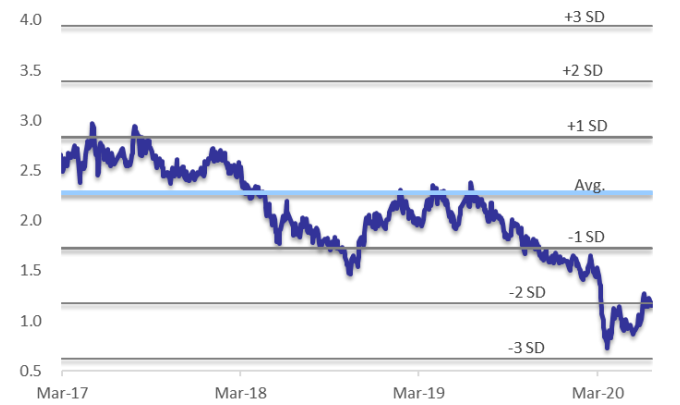
Source: Company, Danareksa Sekuritas estimates

Exhibit 8. P/BV Band Chart (5-year)



Source: Company, Danareksa Sekuritas estimates

Exhibit 9. P/BV Band Chart (3-year)



Source: Company, Danareksa Sekuritas estimates

Exhibit 10. Income Statement

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Revenue	7,081	7,202	6,380	7,372	7,618
COGS	(3,030)	(3,144)	(2,843)	(3,307)	(3,427)
Gross profit	4,050	4,058	3,537	4,065	4,191
EBITDA	3,962	3,952	3,400	3,410	3,501
Oper. profit	3,459	3,451	2,920	3,410	3,501
Interest income	237	281	239	299	408
Interest expense	(273)	(228)	(174)	(159)	(163)
Forex Gain/(Loss)	(189)	130	(256)	(95)	(98)
Income From Assoc. Co's	(8)	(15)	0	0	0
Other Income (Expenses)	12	41	(7)	0	0
Pre-tax profit	3,237	3,661	2,723	3,456	3,648
Income tax	(410)	(421)	(397)	(460)	(491)
Minority interest	(284)	(520)	(195)	(233)	(245)
Net profit	2,543	2,720	2,132	2,763	2,911
Core Net Profit	2,732	2,589	2,387	2,857	3,009

Exhibit 11. Balance Sheet

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Cash & cash equivalent	4,460	4,313	4,532	6,552	8,550
Receivables	532	934	1,003	1,159	1,197
Inventory	3,576	3,531	3,531	3,531	3,531
Other Curr. Asset	480	439	390	451	467
Fixed assets - Net	1,733	2,076	2,502	2,907	3,299
Other non-curr.asset	13,812	14,377	14,777	15,173	15,568
Total asset	25,018	26,095	27,245	30,386	33,347
ST Debt	647	912	0	0	0
Payables	460	618	559	650	674
Other Curr. Liabilities	1,301	1,401	1,270	1,476	1,532
Long Term Debt	4,937	3,888	4,280	4,395	4,513
Other LT. Liabilities	2,362	1,181	1,217	1,424	1,589
Total Liabilities	9,706	8,000	7,326	7,946	8,309
Shareholder's Funds	12,596	14,971	16,795	19,316	21,914
Minority interests	2,716	3,124	3,124	3,124	3,124
Total Equity & Liabilities	25,018	26,095	27,245	30,386	33,347

Exhibit 12. Cash Flow

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Net income	2,543	2,720	2,132	2,763	2,911
Depreciation and Amort.	444	471	479	498	517
Change in Working Capital	148	(60)	(210)	81	25
Other Oper. Cash Flow	(1,022)	(1,266)	(66)	25	(128)
Operating Cash Flow	2,113	1,865	2,336	3,367	3,326
Capex	(905)	(811)	(868)	(861)	(863)
Others Inv. Cash Flow	(13)	(285)	(284)	(242)	(156)
Investing Cash Flow	(918)	(1,096)	(1,152)	(1,103)	(1,019)
Net change in debt	153	(784)	(520)	115	118
New Capital	0	0	0	0	0
Dividend payment	(288)	(288)	(308)	(242)	(313)
Other Fin. Cash Flow	(5)	157	(137)	(117)	(115)
Financing Cash Flow	(141)	(915)	(965)	(244)	(310)
Net Change in Cash	1,054	(147)	218	2,021	1,997
Cash - begin of the year	3,406	4,460	4,313	4,532	6,552
Cash - end of the year	4,460	4,313	4,532	6,552	8,550

Exhibit 13. Key Ratios

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Growth (%)					
Sales	23.8	1.7	(11.4)	15.6	3.3
EBITDA	24.8	(0.2)	(14.0)	0.3	2.7
Operating profit	23.8	(0.2)	(15.4)	16.8	2.7
Net profit	35.8	6.9	(21.6)	29.6	5.4
Profitability (%)					
Gross margin	57.2	56.3	55.4	55.1	55.0
EBITDA margin	56.0	54.9	53.3	46.3	46.0
Operating margin	48.9	47.9	45.8	46.3	46.0
Net margin	35.9	37.8	33.4	37.5	38.2
ROAA	10.5	10.6	8.0	9.6	9.1
ROAE	22.2	19.7	13.4	15.3	14.1
Leverage					
Net Gearing (x)	0.1	0.0	0.0	(0.1)	(0.2)
Interest Coverage (x)	12.6	15.2	16.8	21.5	21.5

Source : PWON, Danareksa Estimates

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