

## FROM EQUITY RESEARCH

### Pakuwon Jati: Fully valued

(POWN IJ. IDR 700. HOLD. TP IDR 720)

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 sale of high rise property in existing projects. For 2018, the company only expects flat marketing sales of IDR2.6tn (+3.7%yoy).

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## MARKET NEWS

### Macroeconomy

- Directorate General of Taxation to make changes to the tax objection scheme
- Bank Indonesia: Monitoring the prices of food commodities

### Sector

- Property: Tax officers to assess unfair property values in property transactions
- Media: Flat ads spending in 2017

### Corporate

- Arwana Citramulia to add installed capacity

## KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
<b>Asean - 5</b>				
Indonesia	6,501	0.1	2.3	562
Thailand	1,824	0.1	4.0	1,884
Philippines	8,951	0.4	4.6	152
Malaysia	1,833	0.2	2.0	811
Singapore	3,569	0.5	4.9	1,032
<b>Regional</b>				
China	3,488	0.4	5.5	34,029
Hong Kong	32,255	0.4	7.8	20,909
Japan	23,808	0.2	4.6	13,413
Korea	2,520	0.2	2.1	6,049
Taiwan	11,151	0.7	4.8	4,556
India	35,512	0.7	4.3	861
NASDAQ	7,336	0.6	6.3	106,932
Dow Jones	26,072	0.2	5.5	16,210

## CURRENCY AND INTEREST RATE

	Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah Rp/1US\$	13,350	(0.1)	1.5	1.5
SBI rate %	5.90	-	-	(1.3)
10y Gov Indo bond	6.18	(0.0)	(0.2)	(0.1)

## HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	107	(0.2)	6.3	5.7
Gold	US\$/toz	1,333	(0.0)	4.5	2.3
Nickel	US\$/mt.ton	12,679	2.1	8.4	(0.2)
Tin	US\$/mt.ton	20,690	1.1	6.7	3.0

## SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	1,951	(2.3)	2.0	2.8
Corn	US\$/mt.ton	127	-	1.9	1.6
Oil (WTI)	US\$/barrel	64	0.5	9.3	5.7
Oil (Brent)	US\$/barrel	69	0.6	5.8	3.2
Palm oil	MYR/mt.ton	2,426	(1.2)	1.7	1.5
Rubber	US\$/kg	154	0.2	6.6	4.6
Pulp	US\$/tonne	1,030	N/A	3.3	3.0
Coffee	US\$/60kgbag	97	0.0	(10.6)	(10.4)
Sugar	US\$/MT	353	(0.2)	(8.5)	(10.6)
Wheat	US\$/ton	116	0.7	0.2	(0.3)
Soy Oil	US\$/lb	32	(0.4)	(1.8)	(2.8)
Soy Bean	US\$/bu	984	0.7	3.7	3.4

Source: Bloomberg

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

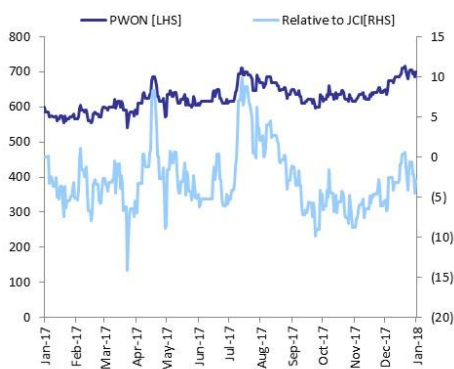
**Major shareholders (%)**

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



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**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

## MARKET NEWS

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### MACROECONOMY

#### **Directorate General of Taxation to make changes to the tax objection scheme**

The Directorate General of Taxation plans to strengthen the division that handles tax objection matters. In the period 2012-2016, the number of tax objection cases reached 44,659 cases and 11,239 were refused. The Directorate General will also improve the tax objection scheme that will be regulated through the general regulation and procedure on tax (KUP). Under the planned scheme, taxpayers would be charged before the court's decision has been made. Presently, taxpayers are charged following the court's decision. (Bisnis Indonesia)

#### **Bank Indonesia: Monitoring the prices of food commodities**

The regional inflation controller division of Bank Indonesia (TPID) is closely watching foodstuff prices at the beginning of the year. The commodities which may experience inflation are chilies, vegetables, and red garlic. TPID will focus on the distribution of commodities in order to control inflation. (Bisnis Indonesia)

### SECTOR

#### **Property: Tax officers to assess unfair property values in property transactions**

In accordance with the Directorate General Regulation No. PER-18/PJ/2017 on the Procedures on the Assessment of the Fulfilment Obligation to Pay Transfers of Land and Building Rights Tax (BPHTB), tax officers will assess unfair property values in property transactions. (Kontan)

#### **Media: Flat ad spending in 2017**

According to a recent survey from Adstensity, total advertising spending in 2017 was relatively flat at IDR97.45tn compared to IDR97.03tn in 2016. The survey reveals that ad spending on cigarettes slumped by 30.38% yoy in 2017, while ad spending on computers and gadgets climbed 39% yoy in 2017 to IDR 3.3tn (2016: IDR2.4tn). (Kontan)

### CORPORATE

#### **Arwana Citramulia to add installed capacity**

Arwana Citramulia plans to add 6mn sqm of capacity in 2019 by adding new production lines. At the moment, the installed capacity for ceramics is 58mn sqm. This year, ARNA has allocated IDR200bn on capex to acquire machinery. ARNA plans to increase the plant capacity in Palembang. In addition, the company also targets 11%yoy higher sales this year. (Kontan, Bisnis Indonesia)



**COVERAGE PERFORMANCE**
**LEADERS**

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		22-Jan-18	19-Jan-18					
Surya Semesta	SSIA	535	498	7.4	5.9	11.9	3.9	HOLD
Indo Tambangraya Megah	ITMG	28,475	26,550	7.3	14.6	39.6	37.6	HOLD
Adaro Energy	ADRO	2,310	2,180	6.0	3.6	22.2	24.2	BUY
Bukit Asam	PTBA	3,300	3,120	5.8	8.9	31.0	34.1	BUY
Timah	TINS	990	955	3.7	14.5	25.3	27.7	BUY
United Tractors	UNTR	38,525	37,400	3.0	3.6	12.5	8.8	BUY
Mitra Adi Perkasa	MAPI	7,125	6,925	2.9	7.5	14.9	14.9	BUY
PP London Sumatra	LSIP	1,385	1,350	2.6	2.2	11.2	(2.5)	BUY
BPD Jatim	BJTM	740	725	2.1	1.4	5.7	4.2	BUY
Aneka Tambang	ANTM	775	760	2.0	17.4	23.0	24.0	HOLD

Sources: Bloomberg

**LAGGARDS**

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		22-Jan-17	19-Jan-18					
Indocement	INTP	21,450	22,575	(5.0)	(3.4)	6.2	(2.3)	SELL
Matahari Department Store	LPPF	10,625	11,000	(3.4)	(1.6)	(2.3)	6.3	BUY
Charoen Pokphand	CPIN	3,420	3,540	(3.4)	6.2	7.5	14.0	HOLD
Ramayana	RALS	1,200	1,240	(3.2)	(7.7)	18.8	-	BUY
Jasa Marga	JSMR	6,025	6,200	(2.8)	(3.6)	(4.4)	(5.9)	BUY
Adhi Karya	ADHI	2,100	2,150	(2.3)	(0.9)	10.5	11.4	BUY
Waskita Karya	WSKT	2,580	2,630	(1.9)	(0.8)	19.4	16.7	BUY
Semen Indonesia	SMGR	10,750	10,950	(1.8)	2.1	9.4	8.6	HOLD
Wijaya Karya	WIKA	1,935	1,970	(1.8)	6.0	24.0	24.8	BUY
Kimia Farma	KAEF	2,460	2,500	(1.6)	1.2	(3.9)	(8.9)	SELL

Sources: Bloomberg

**PREVIOUS REPORTS**

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- Poultry: Stability looks more likely [SnapShot20180122](#)
- Plantation: European Parliament to phase out palm oil biodiesel, Ramayana Lestari Sentosa: Strong Dec 17 performance [SnapShot20180119](#)
- Bank Negara Indonesia: Waiting for more catalysts to come, Property: Meeting our expectations, Surya Citra Media: Rights Issue If Case Scenario [SnapShot20180118](#)
- Automotive: Car sales slightly up in 2017, Cikarang Listrindo: Profitability boost from coal fired power plant, Ciputra Development: Solid performance [SnapShot20180117](#)
- Alam Sutra Realty: Caution advised, BPD Jatim: Growing Moderately, Bumi Serpong Damai: Ending strong [SnapShot20180116](#)

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