

Pakuwon Jati

BUY (unchanged)

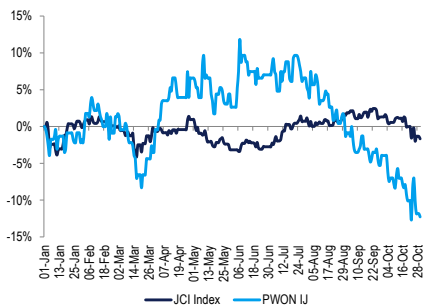
Company Update | Property | PWON IJ | 30 October 2023

Stock Data

Target price	Rp645
Prior TP	Rp645
Current price	Rp400
Upside/downside	+61%
Shares outstanding (mn)	48,160
Market cap (Rp bn)	19,264
Free float	31%
Avg. 6m daily T/O (Rp bn)	15

Price Performance

	3M	6M	12M
Absolute	-17.7%	-17.7%	-9.9%
Relative to JCI	-15.3%	-15.1%	-5.5%
52w low/high (Rp)	398 - 510		



Major Shareholders

Pakuwon Arthaniaga	69%
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3Q23 results: slight beat from higher than expected interest income

- 9M23 net profit of Rp1.5tr (+25% yoy) came ahead both of ours/cons' FY23F estimates at 78% amid better than expected interest income.
- Gross margin was improved to 55% in 9M23 (vs.53% in 9M22) while declined to 53% in 3Q23 (-7% qoq) due to lower non-recurring margin.
- We reiterate our Buy rating with unchanged TP of Rp645.

9M23 results: slight beat from better than expected interest income

PWON booked 9M23 net profit of Rp1.5tr (+25% yoy) forming at 78% of both of ours/cons' FY23 estimates. Beat was due to better net interest cost mainly from higher-than-expected interest income. Excluding other non-core items (include forex), PWON 9M23 core profit reported at 1.47tr (+9% yoy) forming 77% of ours/cons' FY23F estimate. 9M23 gross margin was at 55% (vs. 53% in 9M22) from higher recurring margin at 52% (+474bp yoy). Recurring revenue contributed at 75% in 9M23 (vs. 62% in 9M22).

3Q23 results: drop in headline profit from forex loss; core profit still up by 3% qoq

PWON reported 3Q23 net profit of Rp388bn (-11% yoy/ -23% qoq) mainly driven from the loss from forex and others of Rp142bn in 3Q23 (vs. loss of Rp129bn in 3Q22 and gain of Rp3bn in 2Q23). Excluding non-core items (include forex), 3Q23 core profit was slightly improved to Rp517bn (-8% yoy/ +3% qoq). 2Q23 gross margin was lower at 53% (vs. 54/58% in 3Q22/2Q23) mainly due to lower non-recurring margin at 57% (-340bp yoy/ -1,519bp qoq). Meanwhile, recurring margin was slightly declined on qoq basis to 52% in 3Q23 (+226bp yoy/ -56bp qoq) dragged from lower hotel margin. In 3Q23, recurring contributed at 72% to total revenue (vs. 58/74% in 3Q22/2Q23).

Unchanged net cash position

Until 9M23, PWON remained in net cash position along with total cash level at Rp7.2tr (-10% yoy/ -2% qoq) and total debt at Rp6.2tr (+2% yoy/ +3% qoq). We expect PWON to continuously maintain its net cash position in FY23-24F.

Reiterate Buy with unchanged TP

We maintain our Buy rating on PWON with unchanged TP of Rp645 as we keep our forecasts unchanged for now. PWON currently trades at 73% discount to NAV (vs. 5Y average of 58%). Key downside risks are weak purchasing power and weak presales.

Financial Summary (Rp bn)	2021A	2022A	2023F	2024F	2025F
Revenue	5,713	5,987	5,967	6,044	6,646
EBITDA	2,849	3,251	3,384	3,442	3,754
EBITDA growth	35%	14%	4%	2%	9%
Net profit	1,383	1,539	1,916	1,940	2,184
EPS growth	49%	11%	24%	1%	13%
ROE	9%	9%	11%	10%	10%
PER (x)	13.9	12.5	10.1	9.9	8.8
EV/EBITDA (x)	6.5	5.6	5.0	4.7	4.1
Dividend yield	0%	1%	1%	2%	2%
Forecast changes			N/A	N/A	N/A
IPS vs. consensus			100%	92%	94%

Source: Company, Indo Premier

Share price closing as of: 30 October 2023

Fig. 1: PWON 3Q23 results summary

PWON 3Q23 results (Rp bn)	9M23	9M22	%YoY	3Q23	3Q22	%YoY	2Q23	%QoQ	IPS FY23F	% of IPS	Cons. FY23F	% of Cons
Revenue	4,569	4,495	2%	1,673	1,744	-4%	1,512	11%	5,967	77%	5,970	77%
COGS	(2,058)	(2,132)	-3%	(779)	(798)	-2%	(641)	22%	(2,656)	77%		
Gross Profit	2,511	2,364	6%	893	947	-6%	871	3%	3,311	76%	3,224	78%
<i>GP margin (%)</i>	<i>55%</i>	<i>53%</i>		<i>53%</i>	<i>54%</i>		<i>58%</i>		<i>55%</i>			
Opex	(534)	(421)	27%	(188)	(147)	28%	(201)	-6%	(615)	87%		
EBIT	1,977	1,943	2%	705	800	-12%	670	5%	2,696	73%	2,622	75%
Interest expense	(266)	(250)	6%	(90)	(90)	0%	(92)	-2%	(432)	62%	(207)	
Interest & invt inc	267	121	121%	89	44	99%	101	-12%	225	119%		
Others (include forex)	16	(166)	-110%	(138)	(130)	7%	(2)	7600%	0	N/A		
Pretax profit	1,995	1,647	21%	565	624	-10%	678	-17%	2,490	80%	2,638	76%
Tax	(286)	(265)	8%	(97)	(101)	-4%	(96)	2%	(395)	73%		
Minority interests	(221)	(191)	16%	(79)	(85)	-7%	(79)	1%	(179)	123%		
Net profit	1,487	1,191	25%	388	438	-11%	503	-23%	1,916	78%	1,914	78%
Core Profit	1,472	1,347	9%	517	560	-8%	505	3%	1,916	77%	1,914	77%

Source: Company, Indo Premier

Fig. 2: PWON 3Q23 results breakdown

Revenue breakdown (Rp bn)	9M23	9M22	%YoY	3Q23	3Q22	%YoY	2Q23	%QoQ
Non-recurring	1,149	1,707	-33%	461	737	-37%	387	19%
Apartment and office	586	1,189	-51%	304	472	-35%	121	152%
Land and building	563	518	9%	156	265	-41%	266	-41%
Recurring	3,421	2,788	23%	1,212	1,008	20%	1,125	8%
Hotel	814	576	41%	325	231	41%	245	33%
Rental & Maintenance	2,607	2,212	18%	887	777	14%	880	1%
Total	4,569	4,495	2%	1,673	1,744	-4%	1,512	11%
Gross margin breakdown	9M23	9M22	YoY (bp)	3Q23	3Q22	YoY (bp)	2Q23	QoQ (bp)
Non-recurring	63%	61%	225	57%	60%	-340	72%	-1,519
Apartment and office	55%	57%	-243	52%	56%	-344	60%	-708
Land and building	72%	70%	215	66%	68%	-259	78%	-1,207
Recurring	52%	47%	474	52%	50%	226	53%	-56
Hotel	41%	33%	844	33%	25%	769	46%	-1,283
Rental & Maintenance	56%	51%	436	59%	57%	199	55%	455
Overall margin	55%	53%	238	53%	54%	-86	58%	-421

Source: Company, Indo Premier

Fig. 3: PWON P/E band



Source: Company, Bloomberg, Indo Premier

Fig. 4: PWON discount to NAV



Source: Company, Bloomberg, Indo Premier

Income Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
Net revenue	5,713	5,987	5,967	6,044	6,646
Cost of sales	(2,949)	(2,769)	(2,656)	(2,696)	(2,941)
Gross profit	2,764	3,219	3,311	3,348	3,705
SG&A Expenses	(494)	(617)	(615)	(623)	(685)
Operating profit	2,270	2,602	2,696	2,725	3,020
Net interest	(215)	(152)	(207)	(181)	(169)
Forex gain (loss)	(136)	(417)	-	-	-
Others	8	-	-	-	-
Pre-tax income	1,853	2,178	2,490	2,545	2,851
Income tax	(303)	(347)	(395)	(423)	(467)
Minority interest	(168)	(292)	(179)	(181)	(199)
Net income	1,383	1,539	1,916	1,940	2,184

Balance Sheet (Rp bn)	2021A	2022A	2023F	2024F	2025F
Cash & equivalent	6,444	7,444	8,746	9,264	9,983
Receivable	252	229	239	242	267
Inventory	3,981	3,779	3,723	3,779	4,121
Other current assets	777	801	801	801	801
Total current assets	11,453	12,253	13,509	14,087	15,172
Fixed assets	14,342	14,227	14,430	14,554	14,318
Other non-current assets	3,071	4,122	5,122	6,122	7,122
Total non-current assets	17,413	18,349	19,552	20,676	21,440
Total assets	28,866	30,602	33,061	34,762	36,611
ST loans	50	-	-	-	-
Payable	275	280	266	270	295
Other payables	2,694	2,353	2,801	2,740	2,590
Total current liab.	3,019	2,634	3,068	3,011	2,885
Long term loans	5,657	6,249	6,292	6,292	6,292
Other LT liab.	1,012	1,002	1,165	1,147	1,087
Total liabilities	9,688	9,884	10,525	10,450	10,264
Equity	1,615	1,530	1,530	1,530	1,530
Retained earnings	14,432	15,778	17,417	19,012	20,847
Minority interest	3,132	3,411	3,590	3,771	3,970
Total SHE + minority int.	19,178	20,718	22,536	24,313	26,347
Total liabilities & equity	28,866	30,602	33,061	34,762	36,611

Source: Company, Indo Premier

Cash Flow Statement (Rp bn)	2021A	2022A	2023F	2024F	2025F
EBIT	2,270	2,602	2,696	2,725	3,020
Depr. & amortization	580	649	688	716	733
Changes in working capital	386	222	39	(56)	(348)
Others	(997)	(753)	3	(682)	(841)
Cash flow from operating	2,239	2,720	3,426	2,703	2,565
Capital expenditure	(295)	(838)	(1,891)	(1,840)	(1,497)
Others	(19)	(736)	-	-	-
Cash flow from investing	(314)	(1,574)	(1,891)	(1,840)	(1,497)
Loans	2,110	592	44	-	-
Equity	-	-	-	-	-
Dividends	-	(192)	(277)	(345)	(349)
Others	(485)	(646)	-	-	-
Cash flow from financing	1,626	(247)	(233)	(345)	(349)
Changes in cash	3,550	898	1,302	518	719

Key Ratios	2021A	2022A	2023F	2024F	2025F
Gross margin	48%	54%	55%	55%	56%
Operating margin	40%	43%	45%	45%	45%
Pre-tax margin	32%	36%	42%	42%	43%
Net margin	24%	26%	32%	32%	33%
ROA	5%	5%	6%	6%	6%
ROE	9%	9%	11%	10%	10%
ROIC	10%	10%	10%	9%	10%
Acct. receivables TO (days)	15.7	14.6	14.6	14.6	14.6
Inventory TO (days)	525.5	511.5	511.5	511.5	511.5
Payable TO (days)	34.8	28.2	28.2	28.2	28.2
Debt to equity	36%	36%	33%	31%	28%
Interest coverage ratio (x)	8.1	9.6	7.8	8.5	9.5
Net gearing	-5%	-7%	-13%	-14%	-16%

Source: Company, Indo Premier

INVESTMENT RATINGS

BUY	: Expected total return of 10% or more within a 12-month period
HOLD	: Expected total return between -10% and 10% within a 12-month period
SELL	: Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION

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