

**BUY with higher TP.** We reiterate our BUY recommendation for PT Pakuwon Jati Tbk (PWON) and raised our TP to IDR 550, implying a 60% discount to its NAV and 1.3x/13x FY21 PBV/PE. With more positive vaccine development onwards, we believe PWON will be one of the key beneficiaries of vaccine distribution in 2021E. PWON has a sizeable investment property portfolio in which we believe traffic recovery will strongly bring back growth to the company's earnings. Moreover, PWON has the lowest net debt level among developers and is projected to be in a net cash position by FY21E. As of current, PWON is currently trading at an attractive valuation of 1x/10x FY21E PBV/PE and provides an attractive upside. We are turning more positive on the sector as it will be directly benefited from vaccine distribution in FY21E and a strong recovery in the economic outlook.

**3Q20: Back to a positive level.** PWON reported 3Q20 revenue of IDR 1.1tn (+231.4% QoQ, -38.2% YoY). Recurring revenue increased by 142% QoQ, while non-recurring revenue grew by 502% QoQ. Rental&service charge/hotel/other operating revenue posted QoQ growth of 178%/256%/+45% respectively. The company was back to profit in the gross profit and operating profit level, which was reported at IDR 540bn and IDR 455bn respectively. Gross profit margin was back to 50.3% (vs -2.9% in 2Q20, 61.4% in 3Q19). Opex also decreased by 9% QoQ, with Opex/sales has declined to near pre-covid level at 8%. Below operating profit, PWON recorded a higher interest expense that increased by 58% QoQ, a loss on forex exchange of IDR 138bn, and booked an NPATMI of IDR 118bn (-72% QoQ, -85% YoY). Overall, despite the weak bottom-line in 3Q20, we are of the view that the improvement in recurring and property development business was strong. With a more positive outlook going forward, we believe earnings recovery will continue to be strong.

**Pre-sales should rebound in FY21E on a better economic outlook.** PWON reported 9M20 pre-sales of IDR 750bn (-10.5% YoY) and reached 75% of its revised FY20E pre-sales target (IDR 1tn). The 3Q20 pre-sales performance was decent, with IDR 224bn (+65% QoQ, -28% YoY). We are positive for PWON to achieve its FY20E target. Not to mention, relaxation on foreign ownership in Indonesia strata-title property should later increase high-rise demand. To note, high-rise development project is PWON's largest development portfolio. Though, more details on the law should be further looked at. We baked in FY21E pre-sales of IDR 1.35tn (+35% YoY) supported by strong take-up in the Bekasi project.

Highlights (IDR Bn)	2018	2019	2020E	2021F	2022F
Pre-sales	2,203	1,503	1,000	1,350	1,750
growth (%)	-12.1%	-31.8%	-33.5%	35.0%	29.6%
Revenue	7,081	7,202	4,436	6,316	7,102
Revenue growth (%)	23.8%	1.7%	-38.4%	42.4%	12.4%
EBITDA	3,903	3,922	2,260	3,374	3,846
Net Profit	2,543	2,720	1,141	2,037	2,394
EPS (IDR)	53	56	24	42	50
EPS growth (%)	20.8%	6.9%	-58.1%	78.6%	17.5%
P/E (x)	8.1	7.6	18.2	10.2	8.6
P/BV (x)	1.4	1.1	1.1	1.0	0.9

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#### Stock Information

Sector	Property
Bloomberg Ticker	PWON IJ
Market Cap. (IDR tn)	20.7
Share Out./Float (mn)	48,160/15,071
Current Price	430
52-week Target Price	550
Upside (%)	27.9%

#### Share Price Performance

52W High (11/20/19)	610
52W Low (03/24/20)	266
52W Beta	1.5
YTD Change (%)	-27.9%

#### Relative Valuations

Trailing P/E	17.7x
Forward P/E	10.2x
P/BV	1.0x

### PWON 3Q20 Earnings Summary

IDR bn	3Q19	2Q20	3Q20	QoQ	YoY	9M19	9M20	YoY	% DH	% Cons
Revenue	1,735	324	1,073	231.4%	-38.2%	5,240	3,047	-41.9%	53.3%	64.2%
Gross profit	1,066	(9)	540	-	-	3,068	1,508	-50.9%		
Operating profit	917	(103)	455	-	-	2,646	1,199	-54.7%		
Profit before tax	868	403	211	-47.6%	-75.7%	2,516	748	-70.3%		
Net profit	785	416	118	-71.6%	-85.0%	2,150	601	-72.1%	27.3%	41.6%
Gross margin	61.4%	-2.9%	50.3%			58.5%	49.5%			
Operating margin	52.8%	-31.8%	42.4%			50.5%	39.4%			
Net profit margin	45.2%	128.5%	11.0%			41.0%	19.7%			

Source: Company data, Sinarmas Investment Research

### PWON 9M20 pre-sales performance

	3Q19	2Q20	3Q20	QoQ	YoY	9M19	9M20	YoY
Total pre-sales	311	136	224	64.7%	-28.0%	1,022	725	-29.1%

Source: Company data, Sinarmas Investment Research

### PWON's malls occupancy ratio

	2015	2016	2017	2018	2019	3Q20
Tunjungan Plaza	98%	94%	98%	96%	96%	95%
Kota Kasablanka Mall	99%	99%	98%	99%	99%	98%
Gandarian City Mall	98%	96%	96%	94%	98%	93%
Pakuwon Mall	91%	89%	94%	95%	96%	90%
Pakuwon Trade Center	92%	92%	94%	92%	92%	90%
Royal Plaza	97%	97%	97%	96%	94%	91%
Blok M Plaza	92%	93%	91%	96%	97%	95%

Source: Company data, Sinarmas Investment Research

### PWON Earnings Forecast Revision

IDR bn	Old		New		Change	
	2020E	2021F	2020E	2021F	2020E	2021F
Revenue	5,715	5,970	4,436	6,316	-22%	6%
Gross profit	3,268	3,418	2,274	3,475	-30%	2%
GPM	57.2%	57.3%	51.3%	55.0%		
Operating profit	2,760	2,909	1,823	2,909	-34%	0%
OPM	48.3%	48.7%	41.1%	46.1%		
Profit before tax	2,526	2,732	1,378	2,454	-45%	-10%
Net profit	2,201	2,413	1,141	2,037	-48%	-16%
NPM	38.5%	40.4%	25.7%	32.3%		

Source: Company data, Sinarmas Investment Research

**Revising our forecast.** We tone down our FY20E/21F revenue estimate by -22%/+6% as we take in Covid-19 impact on the company's business performance. Due to Covid-19, slower development revenue recognition occurred and a rental&maintenance fee discount has been given to compensate for the loss of traffic in PWON's mall portfolio. Thus, we lowered our FY20E and FY21F EPS estimate by 48%/16%.

<b>Income Statement (IDR Bn)</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021F</b>	<b>2022F</b>
<b>Revenue</b>	<b>7,081</b>	<b>7,202</b>	<b>4,436</b>	<b>6,316</b>	<b>7,102</b>
% growth	23.8%	1.7%	-38.4%	42.4%	12.4%
Cost of revenues	(3,030)	(3,144)	(2,162)	(2,841)	(3,140)
% growth	28.8%	3.8%	-31.2%	31.4%	10.5%
<b>Gross profit</b>	<b>4,050</b>	<b>4,058</b>	<b>2,274</b>	<b>3,475</b>	<b>3,962</b>
% growth	20.4%	0.2%	-44.0%	52.8%	14.0%
Operating expenses	(591)	(607)	(451)	(566)	(620)
% growth	75.9%	2.6%	-25.7%	25.5%	9.5%
<b>Operating profit</b>	<b>3,459</b>	<b>3,451</b>	<b>1,823</b>	<b>2,909</b>	<b>3,342</b>
% growth	14.2%	-0.2%	-47.2%	59.6%	14.9%
<b>EBITDA</b>	<b>3,903</b>	<b>3,922</b>	<b>2,260</b>	<b>3,374</b>	<b>3,846</b>
% growth	15.0%	0.5%	-42.4%	49.2%	14.0%
Net interest	(36)	53	(109)	(11)	18
<b>Earnings before tax</b>	<b>2,854</b>	<b>3,271</b>	<b>1,378</b>	<b>2,454</b>	<b>2,883</b>
% growth	23.8%	14.6%	-57.9%	78.1%	17.5%
Tax	(27)	(31)	(19)	(27)	(30)
<b>Net income</b>	<b>2,543</b>	<b>2,720</b>	<b>1,141</b>	<b>2,037</b>	<b>2,394</b>
% growth	20.8%	6.9%	-58.1%	78.6%	17.5%
<b>EPS (IDR)</b>	<b>53</b>	<b>56</b>	<b>24</b>	<b>42</b>	<b>50</b>

<b>Balance Sheet (IDR Bn)</b>	<b>2018</b>	<b>2019</b>	<b>2020E</b>	<b>2021F</b>	<b>2022F</b>
Cash & equivalents	4,460	4,313	4,239	4,418	4,800
Trade receivables	414	808	368	534	662
Inventories	3,555	3,512	4,214	4,534	4,665
Others	1,044	1,010	1,020	1,209	1,403
<b>Total Current Assets</b>	<b>9,473</b>	<b>9,643</b>	<b>9,842</b>	<b>10,695</b>	<b>11,530</b>
LT Investment	11,355	11,462	11,668	12,312	13,315
Net fixed assets	1,733	2,076	2,081	2,116	2,213
Other LT assets	2,457	2,914	1,665	2,328	2,694
<b>Total Assets</b>	<b>25,018</b>	<b>26,095</b>	<b>25,255</b>	<b>27,451</b>	<b>29,752</b>
Short-term loans	647	912	250	250	50
Payables	548	697	465	585	676
Others	2,902	1,764	1,979	2,318	2,505
<b>Total Current Liabilities</b>	<b>4,096</b>	<b>3,373</b>	<b>2,694</b>	<b>3,153</b>	<b>3,231</b>
Long-term debt	4,934	3,885	3,760	3,547	3,597
Other liabilities	676	742	457	635	725
<b>Total Liabilities</b>	<b>9,706</b>	<b>8,000</b>	<b>6,911</b>	<b>7,335</b>	<b>7,553</b>
<b>Total Equity</b>	<b>15,312</b>	<b>18,096</b>	<b>18,343</b>	<b>20,116</b>	<b>22,199</b>

Source: Company data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2018	2019	2020E	2021F	2022F
Net Income	2,543	2,720	1,141	2,037	2,394
Depreciation	444	471	438	465	504
Chg in working cap.	1,053	1,305	290	216	175
<b>CF from operating</b>	<b>1,935</b>	<b>1,886</b>	<b>1,346</b>	<b>2,286</b>	<b>2,723</b>
Chg in fixed asset	149	440	123	159	229
Chg in LT assets	910	939	(667)	1,649	1,740
Chg in LT liabilities	48	65	(285)	178	90
<b>CF from investing</b>	<b>(1,011)</b>	<b>(1,314)</b>	<b>259</b>	<b>(1,630)</b>	<b>(1,879)</b>
Chg in equity	289	337	114	265	311
Chg in ST loans	245	266	(662)	0	(200)
Chg in LT loans	(92)	(1,049)	(125)	(213)	50
Dividend	289	337	114	265	311
<b>CF from financing</b>	<b>130</b>	<b>(719)</b>	<b>(1,680)</b>	<b>(477)</b>	<b>(461)</b>
Net Cashflow	1,054	(147)	(74)	178	382
Beginning of Cash	3,406	4,460	4,313	4,239	4,418
<b>Ending Cash</b>	<b>4,460</b>	<b>4,313</b>	<b>4,239</b>	<b>4,418</b>	<b>4,800</b>

Financial Ratios	2018	2019	2020E	2021F	2022F
<b>Profitability</b>					
ROA	10.2%	10.4%	4.5%	7.4%	8.0%
ROE	20.2%	18.2%	7.1%	11.5%	12.1%
Gross profit margin	57.2%	56.3%	51.3%	55.0%	55.8%
Operating margin	48.9%	47.9%	41.1%	46.1%	47.1%
Net margin	35.9%	37.8%	25.7%	32.3%	33.7%
<b>Solvency &amp; Liquidity</b>					
Interest cover (x)	14.3	17.2	7.8	16.4	19.1
Debt to equity (x)	0.4	0.3	0.2	0.2	0.2
Net debt to equity (x)	0.1	0.0	N/A	N/A	N/A
Current ratio	2.3	2.9	3.7	3.4	3.6
Quick ratio	1.4	1.8	2.1	2.0	2.1
<b>Valuations</b>					
P/E (x)	8.1	7.6	18.2	10.2	8.6
P/BV (x)	1.4	1.1	1.1	1.0	0.9
<b>Key Assumption</b>					
Pre-sales growth	-12.1%	-31.8%	-33.5%	35.0%	29.6%

Source: Company data, Sinarmas Investment Research

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