

Tuesday, 04 July 2023

NON RATED

Pantai Indah Kapuk Dua (PANI II)

Redefining the Skyline of North Tangerang

Last price (IDR) 1,595

Stock Statistics

Sector	Property
Bloomberg Ticker	PANI II
No of Shrs (mn)	13,515
Mkt. Cap (IDRbn/USDmn)	21,557/1,438
Avg. daily T/O (IDRbn/USDmn)	6.9/0.5

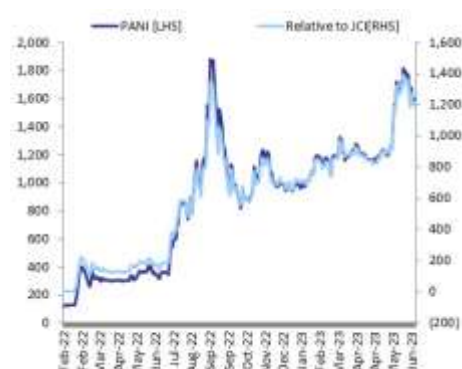
Major shareholders (%)

PT Multi Artha Pratama	88.1
Estimated free float	11.8

EPS Consensus (IDR)

	2023F	2024F	2025F
Danareksa	n/a	n/a	n/a
Consensus	n/a	n/a	n/a
Danareksa/Cons	n/a	n/a	n/a

PANI relative to JCI Index



Source : Bloomberg



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Backed by Agung Sedayu and Salim Group, PANI operates on several parts of the PIK 2 project. As a property developer, PANI looks compelling given: 1) its strategic location, 2) renowned controlling shareholders, and 3) potential for future development. Our estimate of PANI's fair value is IDR18.5 trillion, which represents a 57% discount to its NAV of IDR 43.1 trillion.

Strategic location in the northern part of Tangerang. PANI (PT Pantai Indah Kapuk 2) operates on several parts of PIK 2 and the PIK 2 Extension development. Both sites are located in Tangerang Regency (Kosambi and Teluk Naga) which has close proximity to Soekarno-Hatta International Airport and the prominent PIK 1 and Golf Island projects. A toll road is currently being built to provide a connection to both sites and it is expected to be finished in 2024.

Renowned shareholders control PANI. Agung Sedayu Group (ASG) and Salim Group, renowned property developers and global business groups based in Asia, serve as sponsors and majority shareholders of PANI through PT Multi Artha Pratama (MAP), holding an ownership stake of 88.07%. Agung Sedayu has a track record as a prominent developer in the past 52 years while Salim Group, is recognized as a global business group based in Asia.

Huge potential for future development. PANI currently operates on only 743 ha of land bank (as of 31 March 2023) from a 6,000 ha development area operated under Agung Sedayu and Salim. There are no disclosures in regard to future land injection to PANI. However, since PIK 2 is still in the early stage of development there is potential for PANI to be included in the future development.

Valuation. We value PANI using the commonly used discount to NAV. Based on our ratio and ASP assumptions for each company, we arrive at NAV of IDR 43.1 trillion. We use a different discount to NAV on each of its operating arms. Our estimate of PANI's fair value is IDR 18.5 trillion, which represents a 57% discount to its NAV of IDR 43.1 trillion. PANI's latest market capitalization on 3 July 2023 stood at IDR 21.2 trillion, implying a 51% discount to our NAV calculation. As such, PANI is currently trading at a premium valuation implying rosy expectations for its future development, in our view.

Key Financials

Year to 31 Dec	2019A	2020A	2021A	2022A	3M23
Revenue (IDRbn)	231	180	316	872	919
EBITDA (IDRbn)	7	6	(10)	269	414
EBITDA Growth (%)	n/a	n/a	n/a	n/a	n/a
Net profit (IDRbn)	(1)	0	2	138	180
EPS (IDR)	(0)	0	0	10	13.2
EPS growth (%)	n/a	n/a	650	3,448	13,100
BVPS (IDR)	7	7	82	150	163
DPS (IDR)	0	0	0	n/a	n/a
PER (x)	n/a	215	n/a	117	81
PBV (x)	1.2	1.2	1.5	6.3	10
Dividend yield (%)	n/a	n/a	n/a	n/a	n/a
EV/EBITDA (x)	7.1	10.1	n/a	63.9	40.2

Source : Bloomberg

Company Background

PANI (PT Pantai Indah Kapuk 2) is a prominent property development company based in North Jakarta, Indonesia. Established in 2000, the company initially operated as a seafood canning manufacturer and warehouse service provider in the Tangerang area. However, it underwent a rebranding process and shifted its business focus to property development in the prestigious Pantai Indah Kapuk 2 (PIK 2) area.

PIK 2 is committed to developing upscale residential segments that cater to the needs and preferences of discerning customers. The company aims to create a luxurious and prestigious living environment with world-class amenities and facilities. With a strong focus on delivering exceptional quality and innovative designs, PIK 2 has gained a reputation for developing premium properties in North Jakarta.

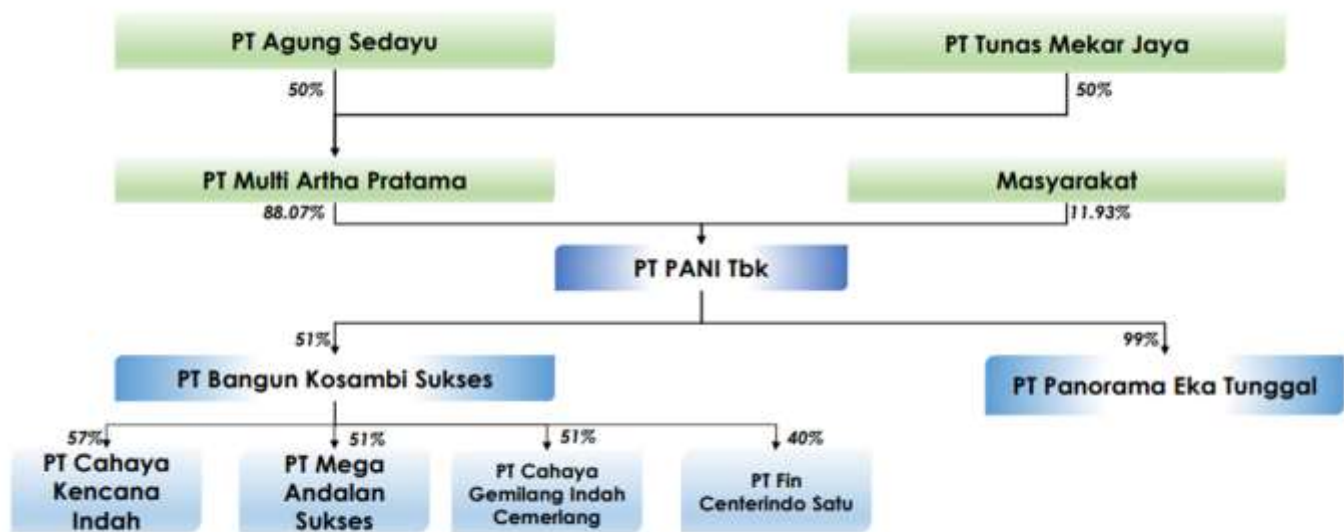
As of March 31, 2023, PIK 2 boasted a strong financial position, with total equity of Rp 7.8 trillion and total assets amounting to Rp 16.3 trillion. The company has maintained a debt-free status, ensuring stability and financial resilience. Furthermore, PIK 2 has impressive market capitalization, reaching Rp 21.2 trillion as of July 03, 2023.

With its rebranded identity and commitment to excellence, PIK 2 continues to spearhead property development projects that redefine luxury living in North Jakarta. The company's dedication to delivering prestigious properties, coupled with strategic partnerships and strong financial standing, positions PIK 2 as a leading player in the Indonesian real estate market.

Major Shareholders

PIK 2 is currently controlled by two renowned names, i.e. Agung Sedayu Group (ASG) and Salim Group (through PT Tunas Mekar Jaya) which are prominent property developers and global business groups based in Asia. They serve as sponsors and majority shareholders of PIK 2 through PT Multi Artha Pratama (MAP), holding an 88.07% ownership stake. This partnership provides PIK 2 with valuable expertise and resources to further enhance its development projects and expand its market presence.

Exhibit 1. PANI company structure



Source: Company, BRIDS

1. Agung Sedayu Group

Agung Sedayu Group is a prominent and diversified business conglomerate with a strong presence in Indonesia. With a rich history and a proven track record, the company has established itself as a leader in various industries, including real estate, property development, retail, hospitality, and commercial projects.

Agung Sedayu Group is widely recognized for its expertise in real estate and property development. The company has undertaken numerous landmark projects, including integrated townships, residential complexes, commercial buildings, and mixed-use developments. Some of these projects include PIK Avenue, District 8 SCBD Jakarta, Green Sedayu Mall and Apartment, Puri Mansion, Taman Anggrek Residences, Hublife Mall, and Green Lake City.

2. Salim Group

The Salim Group, a global business conglomerate headquartered in Asia, operates a wide range of diversified and integrated business activities. Its roots can be traced back to the 1940s when Mr. Soedono Salim (1916-2012), also known as Liem Sioe Liong, established the Group in Indonesia, primarily focusing on trade. Under the current leadership of Mr. Anthoni Salim, the Group's business portfolio encompasses investments in both private and public companies, boasting a workforce of over 800,000 individuals worldwide.

The Salim Group operates through 12 key business divisions, including food production, agribusiness, distribution and retail, telecommunications and media, automotive, building materials, real estate and industrial area development, hotels and resorts, financial services, chemical manufacturing, and other sectors. Additionally, the Group is actively engaged in infrastructure projects and pursuing new strategic business ventures.

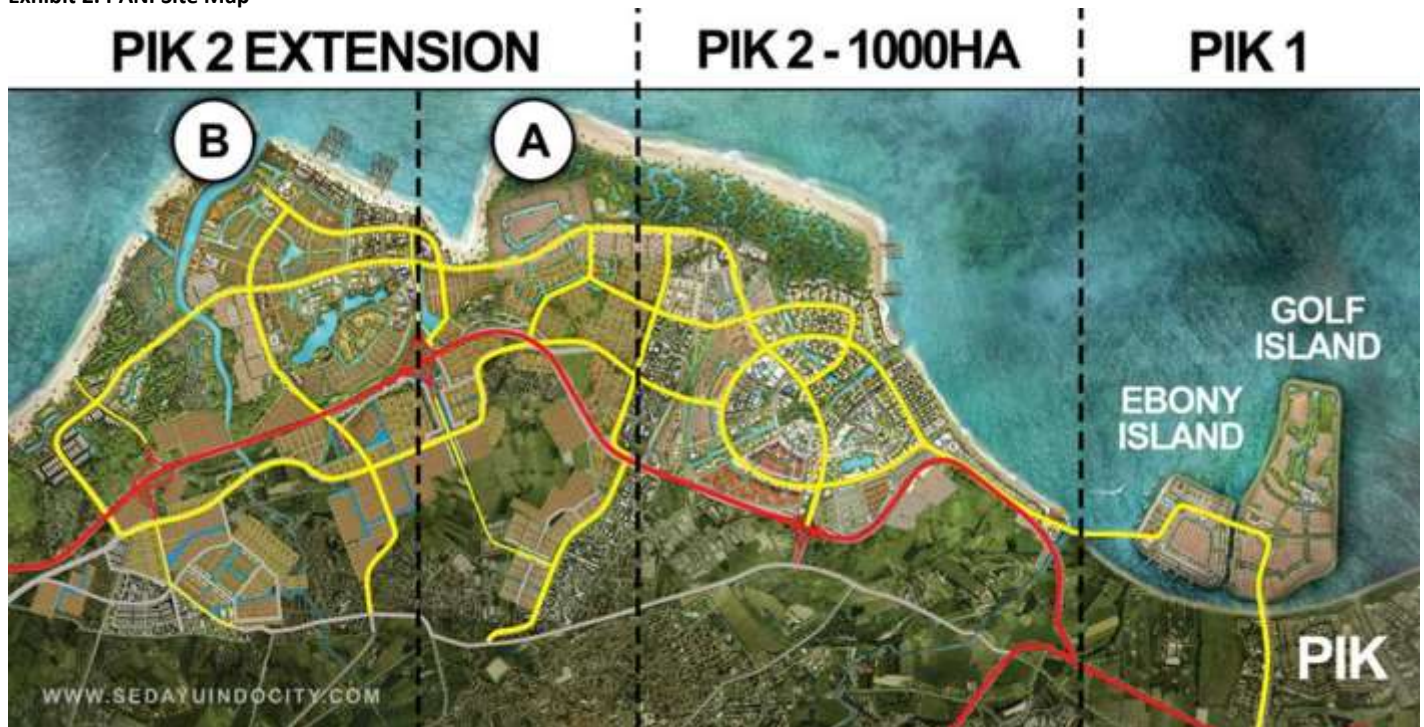
Development Area

PIK 2, the renowned property development near PIK 1 which is located in North Jakarta, boasts an expansive development area spanning over 6,000 hectares. It encompasses the picturesque North of West Java coastline. The project, branded as the New Jakarta City, was meticulously planned and commenced in 2018, aiming to create a modern and vibrant urban center.

As part of its ambitious vision, PIK 2 has successfully constructed and continues to develop a wide range of property units, with a remarkable count of over 55,000 units. These include prestigious projects such as Manhattan, San Antonio, Bukit Danau Indah, Pantai Bukit Nirmala, Permata Golf, Osaka Residence, Tokyo Riverside Apartment, Menara Syariah, Thamrin CBD, Aloha Pasir Putih, Tokyo Hub, and various other notable developments. Each project is designed to offer exceptional living spaces and cater to the diverse needs and preferences of discerning homeowners.

Through its extensive portfolio of ongoing and completed projects, PIK 2 has established itself as a trusted name in the real estate industry, providing residents with modern and comfortable homes in sought-after locations. With its commitment to quality and innovation, PIK 2 continues to shape the urban landscape, creating thriving communities that exemplify contemporary living in North Jakarta/Banten.

Exhibit 2. PANI Site Map



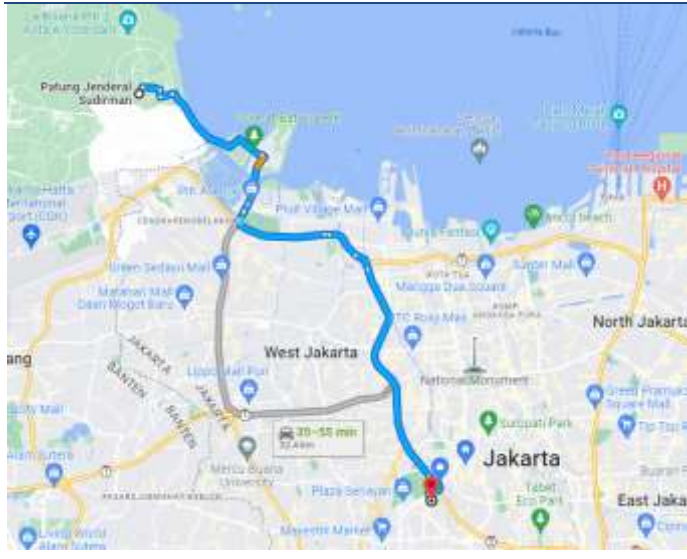
Source: Sedayuindocity.com

Location and Accessibility

Despite the close proximity to Soekarno-Hatta International Airport, travelling from the residential area in PIK 2 Extension is still 40-50 minutes by car without any significant traffic. This is mainly due to the limited access which requires

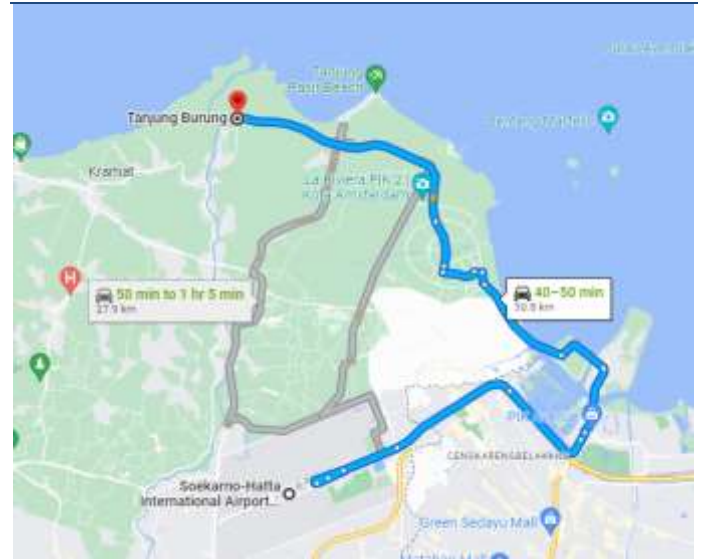
travelling through PIK 2, two reclamation islands (Riverwalk and Golf Island), and PIK 1 before entering the airport toll road. The travel time is similar to Jakarta SCBD which is 35-55 minutes by car as the travel distance is not much different, i.e. above 30 km.

Exhibit 3. Estimated travel time (without traffic) from PIK 2 to Jakarta SCBD



Source: Google Maps, BRIDS

Exhibit 4. Estimated travel time (without traffic) from PIK 2 Ext. to Soekarno Hatta International Airport



Source: Google Maps, BRIDS

Accessibility from the residential area in the PIK 2 Extension will be improved by the time the construction of a toll road is finished and interchange 2 opened (see exhibit 5). According to the company, the toll road will be operational in 2024 while the capital expenditure will be borne at the group level.

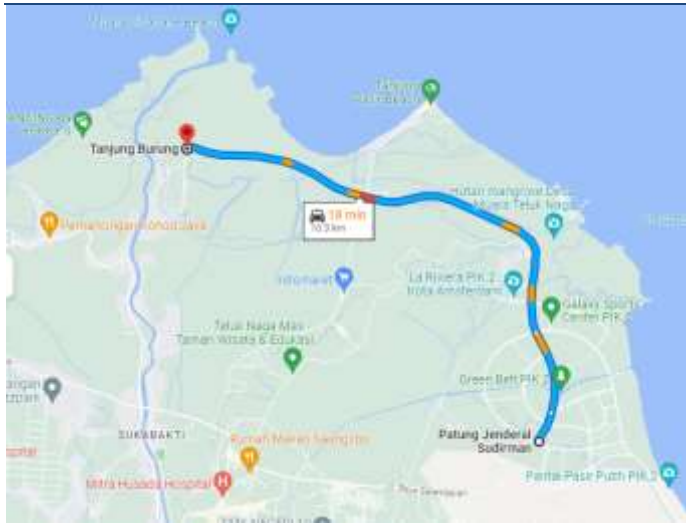
Exhibit 5. PIK 2 toll road plan



Source: Kompas.com

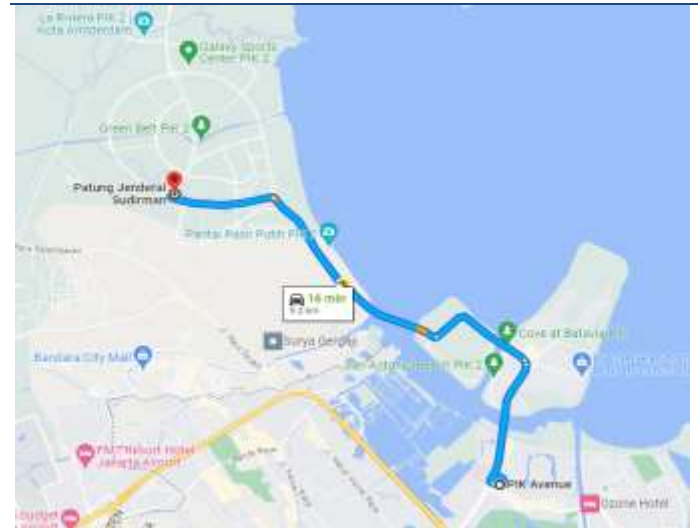
The PIK 2 project spans over 6,000 ha of development area. Using the current access, it still requires almost 20 mins driving time from PIK 2 extension to PIK 2. From PIK 2 to PIK 1, it takes 15 minutes of driving (around 10 minutes to Golf Island). It is worth noting that while PIK 1 is in North Jakarta, PIK 2 and PIK 2 extension fall under the Kosambi and Teluk Naga districts respectively, both of which are in the Tangerang Regency.

Exhibit 6. Estimated travel time (without traffic) from PIK 2 Ext. to PIK 2 (Sudirman Statue – close to the planned toll exit)



Source: Google Maps, BRIDS

Exhibit 7. Estimated travel time (without traffic) from PIK 2 (Sudirman Statue) to PIK 1



Source: Google Maps, BRIDS

Exhibit 8. Tangerang Regency District Map



Source: <https://tangerangkab.go.id/>

Operating Assets

PIK 2 built upon its strengths as a modern self-contained city, further enhanced with outstanding facilities that attract crowds to create a lively atmosphere. The land reserves of PANI, located around PIK 2 and PIK 2 Extension, are primarily allocated for residential and commercial development, spanning a total of 743 hectares as of March 31, 2023. These reserves are managed through five PANI subsidiaries specializing in real estate development, namely PT Bangun Kosambi Sukses (BKS), PT Cahaya Kencana Indah (CKI), PT Mega Andalan Sukses (MAS), PT Cahaya Gemilang Indah Cemerlang (CGIC), and PT Fin Centerindo Satu (FCS).

Based on book value, the land reserves amount to 743 hectares valued at Rp 10 trillion. This extensive land bank provides PANI with ample opportunities to continue its successful development projects, catering to the growing demand for quality residential and commercial properties in the area. With its strategic land holdings and commitment to excellence, PANI is well-positioned to contribute to the urban development of the region and create sustainable communities for the future.

Competitive Advantages

BKS, MAS, and CGIC as the main operational arms of PANI will become centers of economic strength with strong appeal, as well as opening opportunities and profitable investments in various property developments. BKS, MAS, and CGIC are expected to become significant integrated cities, equipped with various benefits and comprehensive facilities to enhance the quality of life and help strengthen Indonesia's position as a worthy destination for international investments. In facing intense competition in the real estate development field, BKS, MAS, and CGIC possess several competitive advantages, including:

- BKS, MAS, and CGIC already have infrastructure such as project entrances, clear planning, and integrated project master plans.
- BKS, MAS, and CGIC have relatively abundant resource potential. BKS has adequate resources to carry out the projects outlined in the BKS plan, including capital resources, materials, manpower, and other resources. As the projects progress, BKS can develop and acquire even more resources to improve its business operations.
- BKS, MAS, and CGIC are supported by experienced development teams. In conducting their business activities, BKS and MAS are supported by highly experienced teams in the field of real estate development. With their successful experience in developing several property projects in Indonesia, BKS and MAS believe that their teams can create and execute plans to the best of their abilities. This is evidenced by PIK 2 Sedayu Indo City receiving awards and recognition as the Best Township Master Plan Design at the prestigious "The 6th Property Guru Indonesia Property Award 2020."
- The prices offered by BKS, MAS, and CGIC are highly competitive and can accommodate customer needs because PIK 2 is located in a strategic location. The strategic location of PIK 2 is due to its interconnectedness and integration with PIK 1 through the Riverwalk Island connecting

bridge, as well as its proximity to the PIK 2 Toll Interchange, which connects to all of Jakarta and is near Soekarno-Hatta International Airport.

Exhibit 9. PANI Operating Arms Location

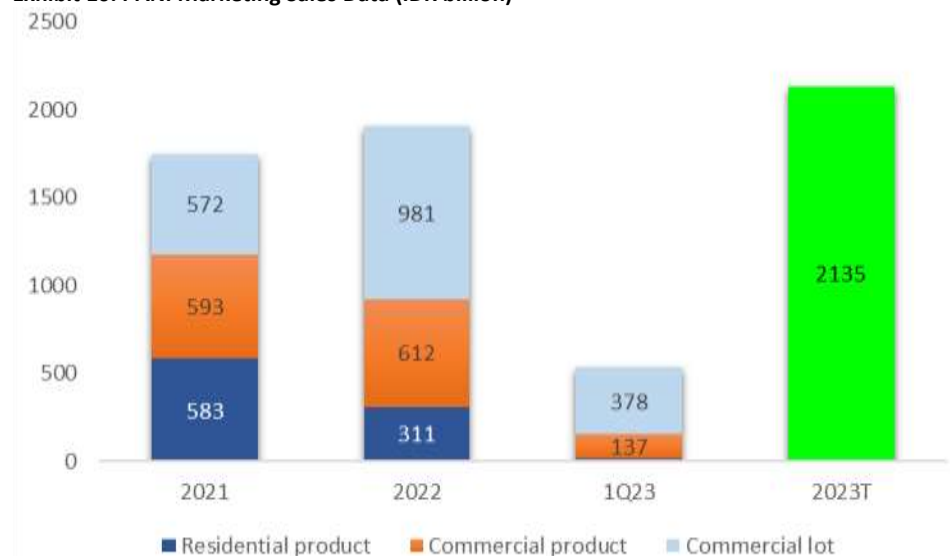


Source: Company, BRIDS

Marketing Sales

The company is targeting marketing sales of IDR 2,135 billion in 2023. There is no breakdown in the sales target but, based on historical available data, the majority of the marketing sales were driven by the commercial land lot product. In 1Q23, driven by its commercial land lot, PANI secured marketing sales of IDR 533 billion and achieved 25% of its FY23 marketing sales target.

Exhibit 10. PANI Marketing Sales Data (IDR billion)



Source: Company, BRIDS

Valuation

We value PANI using the commonly used discount to NAV. There are four operating arms under PANI, i.e. BKS which focuses on commercial land products, FCS which holds the Menara Syariah office tower, as well as MAS and CGIC which focus on selling residential products located in the PIK 2 Extension. Based on our ratio and ASP assumptions for each company, we arrive at NAV of IDR 43.1 trillion. Note that due to limited disclosure on the updated data, we still use data from the prospectus for the rights issue dated August 2, 2022.

Exhibit 11. PANI Operating Arms NAV Calculation

			Total Land or GFA	Effective Ownership	Plot Ratio or NSA	ASP (million psm)	NAV (IDR bn)
Subsidiary		Operating Location					
BKS	Bangun Kosambi Sukses	Desa Kosambi Barat	2,109,758	51.00%	0.6	40	25,823.4
FCS	Fin Centerindo Satu	Desa Kosambi Barat	110,000	20.40%	0.6	30	403.9
MAS	Mega Andalan Sukses	Desa Tanjung Pasir dan					
	Cahaya Gemilang Indah	Desa Tanjung Burung	4,159,840	26.01%	0.6	20	12,983.7
CGIC	Cemerlang	Desa Tanjung Pasir	1,248,972	26.01%	0.6	20	3,898.3
Total			7,628,570				43,109.3

Source: Company, BRIDS

We used different discounts to NAV for each of its operating arms. Our estimate of PANI's fair value is IDR 18.5 trillion which represents a 57% discount to its NAV of IDR 43.1 trillion. PANI's latest market capitalization on 27 June 2023 stood at IDR 21.2 trillion, implying a 51% discount to our NAV calculation. As such, we believe PANI is currently trading at a premium valuation.

Exhibit 12. PANI Fair Value Calculation

Subsidiary	NAV	Discount	Remarks	Fair Value (IDR bn)
Bangun Kosambi Sukses	25,823.4	50%	Premium to DMAS at 57% due to high land value	12,911.7
Fin Centerindo Satu	403.9	80%	Office market is still weak	80.8
Mega Andalan Sukses	12,983.7	67%	On par with BSDE	4,284.6
Cahaya Gemilang Indah Cemerlang	3,898.3	67%	On par with BSDE	1,286.4
Total	43,109.3	57%		18,563.6

Source: Company, BRIDS

Risks

Some risks associated with investing in PANI as a property developer are:

- **Market Risk:** PIK 2's success heavily relies on the demand and market conditions for residential and commercial properties. Any downturn or instability in the real estate market could affect sales, occupancy rates, and property prices.
- **Regulatory and Legal Risks:** Changes in regulations, permits, or zoning laws could impact the development plans and timelines of PIK 2. Legal disputes or challenges may also arise, leading to delays or additional costs.
- **Construction and Execution Risks:** The successful completion of the PIK 2 project depends on effective project management, construction quality, and adherence to timelines. Delays, cost overruns, or construction issues could impact the project's profitability and reputation.
- **Infrastructure and Utilities:** The availability and reliability of necessary infrastructure and utilities, such as roads, water supply, and electricity, can impact the attractiveness and functionality of PIK 2 as a living or business destination.
- **Shareholding structure:** As the whole project falls under Agung Sedayu and Salim Group, there is risk associated with how the project is handled between the groups. It is also worth noting that PANI does not fully own its operating arms or subsidiaries.

Exhibit 13. Income Statement

Year to 31 Dec (IDRbn)	2019A	2020A	2021A	2022A	3M23
Revenue	231	180	316	872	919
COGS	(215)	(165)	(299)	(456)	(452)
Gross profit	16	16	18	416	468
EBITDA	7	6	(10)	269	414
Oper. profit	1	3	(12)	260	412
Interest income	0	0	6	19	42
Interest expense	(2)	(2)	0	0	0
Forex Gain/(Loss)	0	0	0	0	0
Income From Assoc. Co's	0	0	3	11	0
Other Income (Expenses)	(0)	0	(4)	(28)	(7)
Pre-tax profit	(1)	1	(6)	262	447
Income tax	(1)	(1)	(1)	(1)	(1)
Minority interest	0	(0)	(0)	(150)	(267)
Net profit	(1)	0	2	138	180
Core Net Profit	(1)	0	(7)	110	180

Exhibit 14. Balance Sheet

Year to 31 Dec (IDRbn)	2019A	2020A	2021A	2022A	3M23
Cash & cash equivalent	13	4	663	1,417	367
Receivables	3	1	2	2	1
Inventory	67	50	2,754	7,073	7,052
Other Curr. Asset	6	17	1,839	1,142	2,485
Fixed assets - Net	92	25	28	47	45
Other non-curr.asset	1	1	8,011	6,259	6,398
Total asset	120	98	13,296	15,938	16,348
ST Debt	4	14	4,240	138	114
Payables	6	2	3,543	504	377
Other Curr. Liabilities	52	0	4,943	7,624	7,730
Long Term Debt	14	4	85	265	245
Other LT. Liabilities	4	38	10	29	31
Total Liabilities	18	58	12,822	8,560	8,496
Shareholder's Funds	80	40	474	2,023	2,203
Minority interests	0	0	0	5,355	5,649
Total Equity & Liabilities	120	98	13,296	15,938	16,348

Exhibit 15. Cash Flow

Year to 31 Dec (IDRbn)	2019A	2020A	2021A	2022A	3M23
Net income	(1)	0	2	138	180
Depreciation and Amort.	6	3	2	9	2
Operating Cash Flow	8	(8)	(395)	447	301
Capex	(7)	(1)	(3)	(15)	3
Others Inv. Cash Flow	0	0	7	30	(1,337)
Investing Cash Flow	(7)	(1)	4	15	(1,323)
Net change in debt	(5)	(0)	381	(3,937)	(44)
New Capital	0	0	0	6,558	0
Dividend payment	0	0	(500)	0	0
Other Fin. Cash Flow	(2)	(0)	304	(2,329)	16
Financing Cash Flow	(7)	(0)	185	292	(28)
Net Change in Cash	(5)	(9)	658	754	(1,050)
Cash - begin of the year	18	13	4	663	1,417
Cash - end of the year	13	4	663	1,417	367

Exhibit 16. Key Ratios

Year to 31 Dec	2019A	2020A	2021A	2022A	3M23
Growth (%)					
Sales	(22)	(22)	75	175	694
EBITDA	24	(15)	n/a	n/a	n/a
Operating profit	(68)	148	n/a	n/a	n/a
Net profit	n/a	n/a	650	8,218	30,852
Profitability (%)					
Gross margin	6.9	8.7	5.6	47.7	50.9
EBITDA margin	3.0	3.4	(3.1)	30.8	45.0
Operating margin	0.4	1.5	(3.7)	29.8	44.8
Net margin	(0.5)	0.1	0.5	15.8	19.5
ROAA	(0.9)	0.2	0.0	0.9	2.2
ROAE	(3.1)	0.6	0.6	11.1	0.0
Leverage					
Net Gearing (x)	0.1	0.3	7.7	(0.1)	(0.1)
Interest Coverage (x)	0.6	1.3	(3.3)	9.7	0.0

Source : PANI, Bloomberg

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