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9 December 2022

Indonesia Tourism

Panorama	PANR IJ
Rec	Non-rated
Market cap	USD30mn
3M ADV	USD166k
Price	Rp402
Target	N/A
Up/downside	N/A

Multi Bintang	MLBI IJ
Rec	Non-rated
Market cap	USD1.2bn
3M ADV	USD36k
Price	Rp9,150
Target	N/A
Up/downside	N/A

Blue Bird	BIRD IJ
Rec	Non-rated
Market cap	USD245mn
3M ADV	USD446k
Price	Rp1,545
Target	N/A
Up/downside	N/A

Pakuwon	PWON IJ
Rec	BUY
Market cap	USD1.4bn
3M ADV	USD1mn
Price	Rp476
Target	Rp620
Up/downside	+30%

Air Asia Indonesia	CMPP IJ
Rec	Non-rated
Market cap	USD125mn
3M ADV	USD31k
Price	Rp176
Target	N/A
Up/downside	N/A

Come to Indonesia

Tourism sector, anecdotes from travel agency, colour on airlines business

December is always a good month to visit Indonesia, with the country's all year-long tropical season. The tourism sector is back in the spotlight again, with international tourist arrivals improving in past few months although still below pre-pandemic levels. Anecdotes from travel agency Panorama are interesting, with recovery in both inbound and outbound activities, aligned with normalization of airlines industry driven by the low cost carriers such as Citilink. The ongoing revival of tourism industry would benefit certain sectors such as airlines, travel agency, beer producers, hotel, taxi operators, etc.

Indonesia tourism - 'back in the spotlight'

- Our recent trip to 'Kota Tua' or 'Old Town' in North Jakarta is an interesting example, where several revitalizations have been done to make it friendlier for tourists/visitors.
- Number of foreign tourist arrivals have continued to recover in past few months and the overall tourism sector in Indonesia seems to be back in the spotlight.
- October had the highest number of tourists at 446k, although still 52% of pre-pandemic levels. Tourist arrivals to Bali have improved significantly, which is also reflected in beer sales of Multi Bintang in the Island; Rp400bn in 9M22, +110% YoY.

'Revenge travel' by Panorama (PANR)

- Past two quarters have been a relief for travel agencies such as Panorama. Its 3Q22 revenue is back to pre-Covid, due to recovery in outbound and inbound business.
- Outbound activity has kick-started, with Turkey, USA and Europe being the earliest to open for international visits, and more recently Asian countries such as South Korea.
- Seizing the opportunity, PANR has initiated a smart strategy to grab 'travel pent-up' for the Muslim population in the country by launching creative packages such as combination of 'Umrah' and tour to Turkey, with a price of Rp39.9mn per person.

Inbound activity - let's enjoy what Indonesia can offer

- Travel agencies continue to focus on their inbound business. For instance, PANR has been actively participating in travel fair since the beginning of the year by promoting a number of tourist destinations from Toba Lake to Belitung in Sumatra (chart below).
- Demand for inbound (domestic travel) activities have picked up since easing of covid restrictions by the government, especially in Bali since July.
- The inbound recovery is also evident from rebound in Indonesia airlines revenue, +75% YoY in 2021 after -67%, led by low cost carrier, Citilink.

Come visit Indonesia

- The worst seems to be over for Indonesia's tourism industry and the government optimistically hopes for a +130% YoY rebound in foreign arrivals in 2022.
- The revival of tourism benefits certain sectors and their respective market leaders, from airlines (Garuda Indonesia & Air Asia Indonesia), travel agency (Panorama & Bayu Buana), beer producer (Multi Bintang) and hotel operator (Pakuwon & Surya Semesta).

Panorama's catchy domestic tour packages

Come visit Jakarta

Come to Indonesia

December is always a good month to visit Indonesia, with the country's all-yearlong tropical season that offers warm weather despite high humidity. Jakarta is definitely one nice destination, capital city that has seen many improvements in efforts to attract tourism after the two rough pandemic years. Our recent visit to tourism spot, 'Kota Tua' or 'Old Town' (figure 1) in North of Jakarta is an interesting example, where several revitalizations can be seen especially the pedestrian roads to make it friendlier for visitors. It was rather quiet during our visit, since it was afternoon on weekdays. The area is packed with a lot of parked vehicles and motorcycles during the weekend. But, it was also an enjoyable experience to learn a little bit about financial industry from Bank Indonesia or Central Bank Museum (figure 2).

Figure 1

Jakarta's tourist attraction, Kota Tua



Source: CLSA

Figure 2

Bank Indonesia (Central Bank) Museum



Source: CLSA

Kota Tua in North Jakarta could be one option for tourists

It is a very classic and historical Museum, which has 'lived' since 1828 as first headquarters of 'Netherlands Indies Gulden', Central Bank of Dutch East Indies, before it was finally nationalized as Bank Indonesia in 1953. The heritage building was opened to public in 2009 and offers quite an interesting view from the history of formation of Indonesian's Central Bank (figure 3) to Indonesia's currency design from time to time (figure 4). This memorable short trip also opened our mind to look at how the Indonesian tourism industry has recovered from the bottom, not only in Jakarta but also other important destinations like Bali.

Figure 3

History of Indonesia's Central Bank



Source: CLSA

Figure 4

Inside Bank Indonesia Museum



Source: CLSA

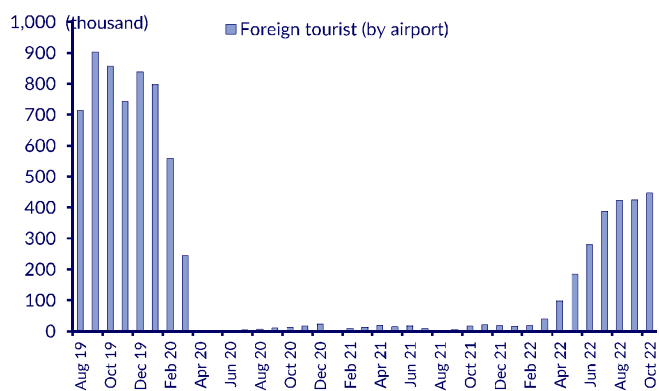
International tourist arrival numbers have been encouraging for past few months

Indonesia tourism - back in the spotlight

'Back in the spotlight' seems to be the right word to describe the tourism industry in Indonesia, although it will still take a while for the sector to return back to the level it was before 2020 (figure 5). The worse seems to be now behind us, with foreign tourist arrivals starting to pick up since Mar-22. October had the highest arrivals, with 446k of foreigners, about 52% of 856k in Oct-19. The tourist arrival recovery is seen across all the regions (figure 6)- from ASEAN, Asia, Europe to America. The first two improved the most, supported by countries like Malaysia and Singapore. Malaysia accounted for the most foreign visitors (3mn) in Indonesia in 2019, followed by Singapore and Australia.

Figure 5

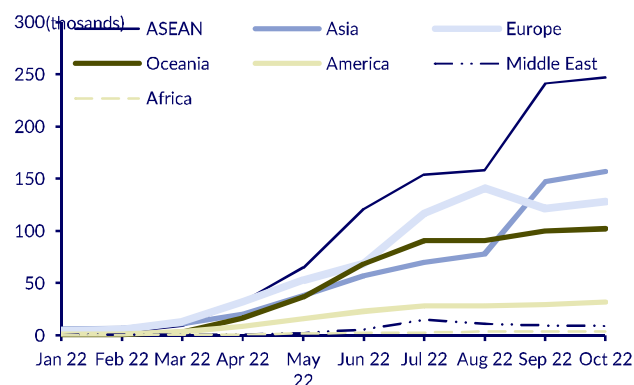
Indonesia's foreign tourist arrival number, by airport



Source: CLSA, Government

Figure 6

Foreign tourist arrival by country of origin

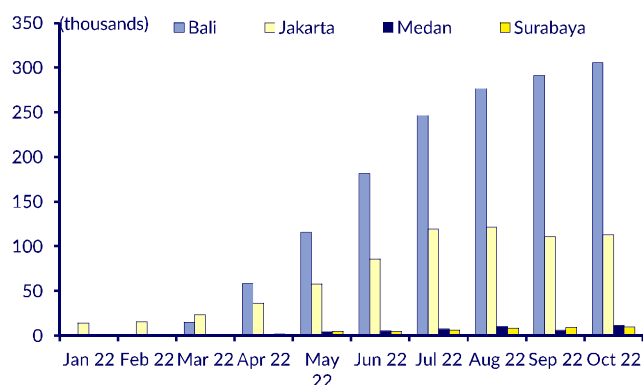


Source: CLSA, Government



Figure 7

Foreign tourist arrival by destination



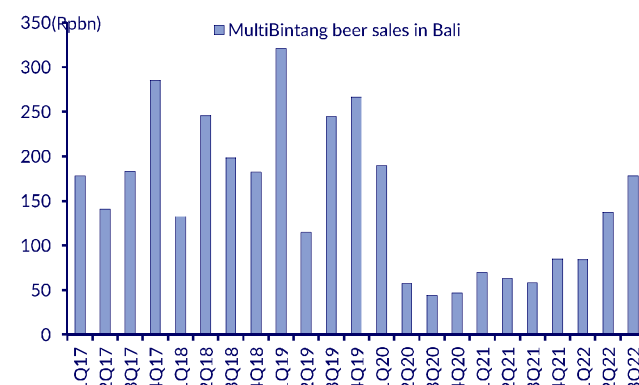
Source: CLSA, Government

Who doesn't love Bali?

There are couple of destinations in Indonesia that we recommend to visit and adding new tourism spot seems to be always key priority by government. One of them is Mandalika, which we have highlighted in our '*The next Bali*' report before. But recovery of Bali is the government's current main objective, as the Island is always an important source of tourism revenue. It is a positive sign that the number of tourist arrivals to Bali is increasing, reaching 305k by October (figure 7), 54% of pre-pandemic levels. Therefore, it is also not a coincidence that beer companies such as Multi Bintang (MBLI) registered increase in their beer sales in Bali (figure 8).

Figure 8

Multi Bintang (MLBI)'s beer sales trend in Bali



Source: CLSA, MLBI

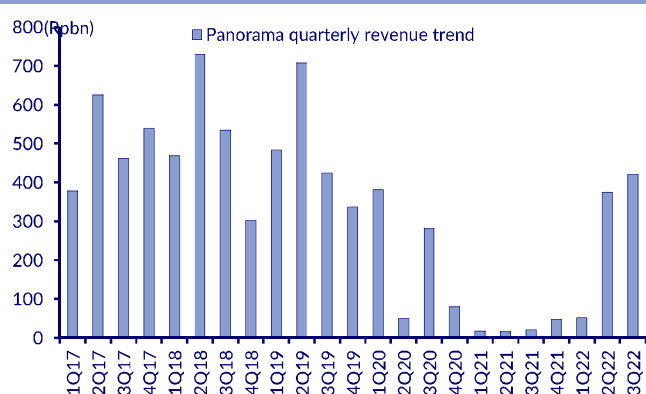
Travel agency Panorama has posted strong performance in the past two quarters

'Revenge travel' by Panorama (PANR)

Airlines industry is always the direct beneficiary of the recovery in tourism sector, with improvement in flight frequency across the globe. But our recent discussion with one of the largest travel agency firms, Panorama (Not rated) also provides colourful anecdotes on how the company has seen 'travel pent-up demand' or 'revenge travel' for both inbound (travelling in Indonesia) and outbound (travelling abroad) businesses. Panorama's financial performance (figure 9 and 10) is a strong evidence with encouraging revenue and profitability in past two quarters, as countries around the globe starting to ease border restrictions.

Figure 9

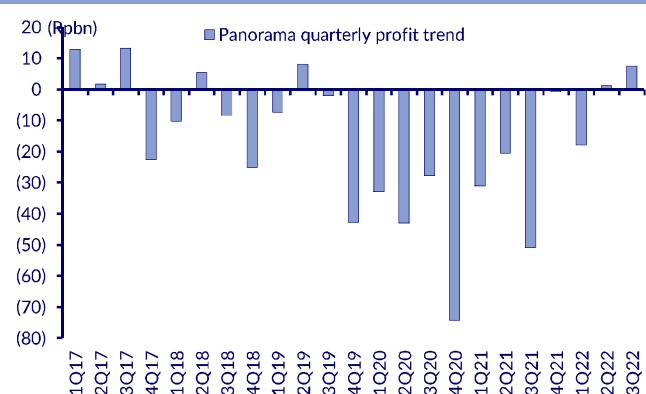
Panorama (PANR) quarterly revenue trend



Source: CLSA, PANR

Figure 10

Panorama (PANR) quarterly net profit trend



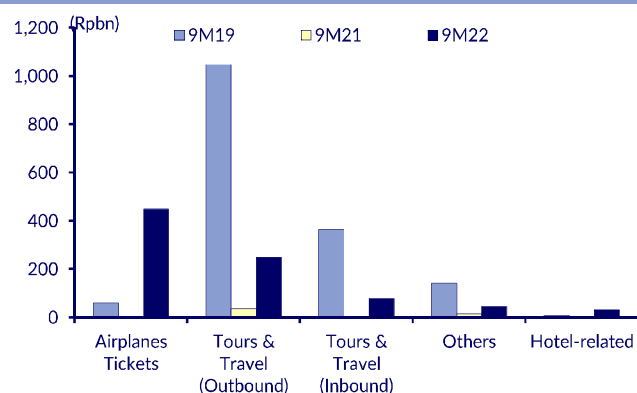
Source: CLSA, PANR

Both inbound and outbound are recovering quite strongly

In 2019 (pre-covid), tour and travel represented 90% of Panorama's total revenue; outbound was the key driver with 75% of tour and travel revenue, and the rest 25% from inbound. Both segments have only began to recover in 2Q this year (figure 12), but the 'one-off' outbound sales in 3Q20 was interesting, which only happened one quarter after the first lockdown around the globe. It all started with Turkey being one of the first country to open border for international tourists in the middle of 2020. Panorama saw surging demand for tour to Turkey in 3Q.

Figure 11

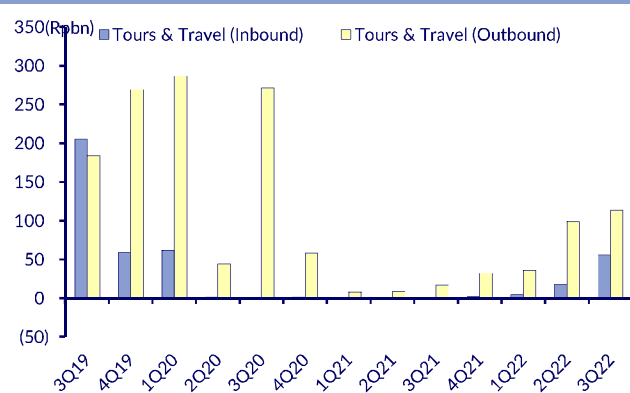
Panorama (PANR) revenue breakdown by type



Source: CLSA, PANR

Figure 12

Panorama (PANR) inbound versus outbound revenue trend



Source: CLSA, PANR

Outbound activity is gaining traction since border re-opening

Panorama has been focusing to create innovative travel package

Outbound - You can travel around the globe...

It feels like a relief to realize that travelling is now feasible, one of things that at one point we thought it would never be possible again because of the pandemic. Indonesians tend to love travel abroad, especially since the past 10-15 years where tourism business is growing rapidly. Panorama's outbound revenue has grown from Rp260bn in 2010 to Rp1.3tn in 2019. It was Rp660bn in 2020, Rp66bn in 2021 and has rebounded to Rp650bn in 9M22. Tourist re-opening has largely kicked-in since late last year, from Europe and USA in 2021 and more to Asia countries in 2022 such as South Korea in middle of the year and Japan as the latest. Anecdotally, one reason of Panorama's high demand for USA last year was vaccination package, where everyone was trying to get jabbed faster for health and safety purpose.

The company has been opportunistic and quick to monetize the re-opening opportunity by introducing several catchy and attractive travel packages like tour to South Korea for 5-6 days with price per person starting from Rp15.4mn (figure 14). Similarly, Panorama has also been trying to grab the travel pent-up from the large Muslim population in the country, with the launch of creative packages such as combination of 'Umrah' (or pilgrimage to Mecca in Saudi Arabia) and tour to Turkey, a country close to it (figure 13). The whole trip lasts for 13 days, scheduled for 11 to 23 January 2023, flying with Turkish Airlines and price tag of Rp39.9mn per person. Management has seen growing appetite for this type of tour service in past six months and it has even formed a special division for Muslim tour product. More importantly, the business is also more profitable as Muslim tourists in general do not seem concerned about the price as long as the travel agency could provide a good service. Service here means service that is related to the religion, such as ability to consistently provide halal food/product throughout the trip.

Figure 13

Panorama's popular Muslim tour package



Source: PANR

Figure 14

Panorama's growing tour package to South Korea



Source: PANR

Global number of tourists have come closer and closer to the pre-Pandemic level

With all of these positive signs, management is positive heading into 2023 with the expectation that the whole tourism industry is stepping into a much better position. This can also be seen through the robust recovery trend from the number of tourists globally (figure 15), where there already were 705mn of tourists travelling around the world in first nine months of 2022, which is already 63% of normal (figure 16), versus 31% in 2021 and 29% in 2020. Panorama's overall inbound and outbound revenues are still 27% and 72% of pre-Covid in 3Q22. Per management, these figures could improve going ahead as pent-up demand is higher than management's expectation since the reopening, but the overall capacity (i.e. flight frequency,

Panorama still sees high airlines ticket sales

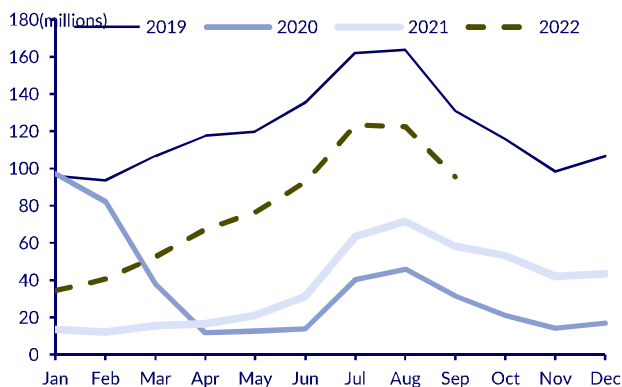
Targeting corporate segment is another strategy by travel agencies

hotel's readiness, etc) is still lagging behind. Based on our observation, round flight trip from Jakarta to Seoul is priced around Rp10mn per person for second & third week of December before the high season in last week of the month. This is roughly 20-25% higher than pre-pandemic levels. Another example would be the Rp10-15mn round trip ticket price from Jakarta to Singapore during middle of the year, versus Rp2-3mn normally, although the price has consistently dropped to Rp2-4mn at the moment. The unstable supply and demand has even produced an unusual outcome or 'phenomena', where Panorama management once observed that ticket price for business class from Jakarta to London was cheaper than the economy class.

Targeting corporate segment is another strategy adopted by travel agencies such as Panorama, with a lot of demand for corporate outing after working from home for two years. Per PANR, one giant consulting firm based in Jakarta has booked overseas travelling plan for more than 3,000 employees.

Figure 15

Monthly international/global tourist arrivals since 2019



Source: CLSA, UNWTO

Figure 16

International tourist arrival as percentage to pre-pandemic



Source: CLSA, UNWTO



Indonesia has helped to buffer inbound tourism this December

Inbound - Or let's enjoy what Indonesia can offer...

We have highlighted the potential of domestic tourism market through a series of reports '*Wonderful Indonesia*', '*Keep calm and travel more*', '*Welcoming 2019*' to '*Recovery starts at home*'. Travel agency companies in the domestic space have been very innovative off late. For instance, PANR has been actively participating in the travel fair events since the beginning of the year. One of them is the Garuda Indonesia Travel Fair (figure 18) that was held in Indonesia Convention Exhibition (ICE) in BSD City from 28 to 30 October. It offers i.e. one way ticket from Jakarta to Denpasar Bali from Rp888k, which is considered attractive. There are couple of 'gimmicks' such as cash back up to Rp3mn, 12 months instalment with 0% interest or free travel voucher & luggage.

Despite inbound activity still far below normal level, the turning point for this segment was when the government finally eased a number of restrictions since late 2021/early 2022, from resumption of visa on arrival at the airport (this was prohibited for two years since Feb/Mar-20, except for 'Dinas' or Official's travel) to doing away with PCR testing for visitors. Panorama saw more demand for inbound market since July especially to Bali Island. From the government data (figure 7), foreign travellers to Bali began to appear since Feb this year from 1.3k. Aside from Bali, there are couple of domestic trip packages from Panorama (figure 17), to support other destinations from Toba Lake, Belitung, Banda Aceh in Sumatra to Morotai Island in Maluku. Management continues to see better demand in the last

three months and the company hopes to welcome 3,000 inbound tourists in December (40% during normal year in December). Panorama used to accommodate its agency service for 30k inbound travellers before 2020.

Figure 17

Panorama's catchy domestic tour package



Source: PANR

Figure 18

Panorama's participation in Garuda Indonesia Travel Fair



Source: PANR

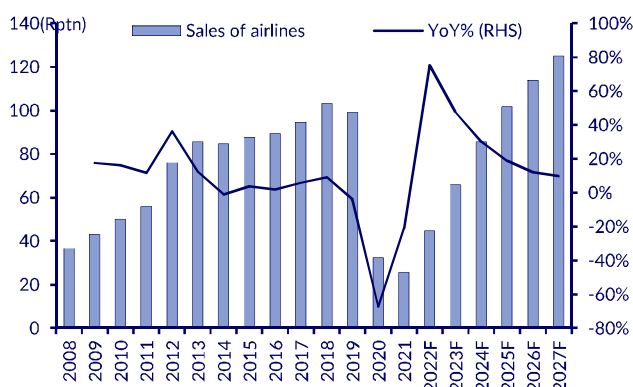
Low cost carrier, Citilink has been gaining market share during the Pandemic

A glance at Indonesia's airlines industry

Being amongst the hardest hit by the Pandemic, airlines industry has slowly bounced back over the past two years. Sales of airlines in Indonesia dropped heavily by -67% YoY in 2020 to Rp32.3tn and saw a strong rebound of +75% YoY in 2021. Euromonitor projects another +47% YoY uptick in 2022 and only expects it to return to 2019 levels by 2024/2025 (figure 19). The interesting trend is the change in competition landscape (figure 20). Although Garuda Indonesia (GIAA) remains the market leader with 21.5% share in 2022, its low cost carrier Citilink has seen meaningful gain in market share during the pandemic, mainly due to change in consumer behaviour towards affordable airlines, which we think is partly caused by expensive flight price on the back of lower capacity.

Figure 19

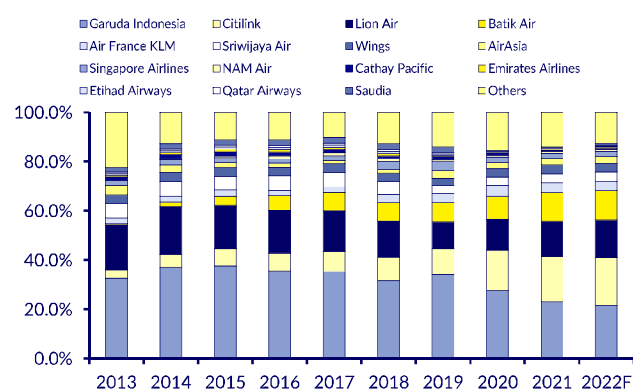
Sales of airlines in Indonesia



Source: CLSA, Euromonitor

Figure 20

Market share of sales of airlines in Indonesia



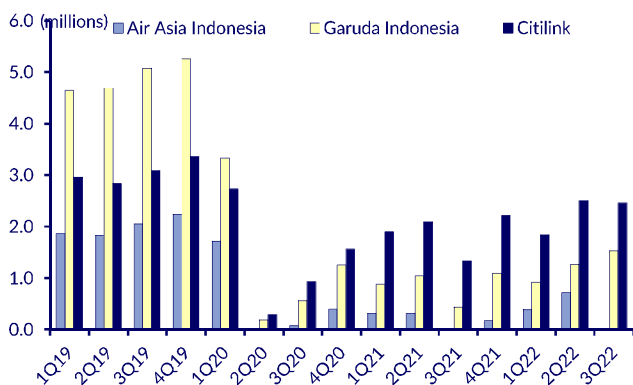
Source: CLSA, Euromonitor

Traveloka remains to hold the largest market share for travel intermediaries

This is also reflected in number of monthly passenger carried by three airlines in Indonesia (figure 21); both low cost carriers Air Asia Indonesia (CMPP) and Citilink and Garuda Indonesia as full service carriers. Both Air Asia Indonesia and Citilink

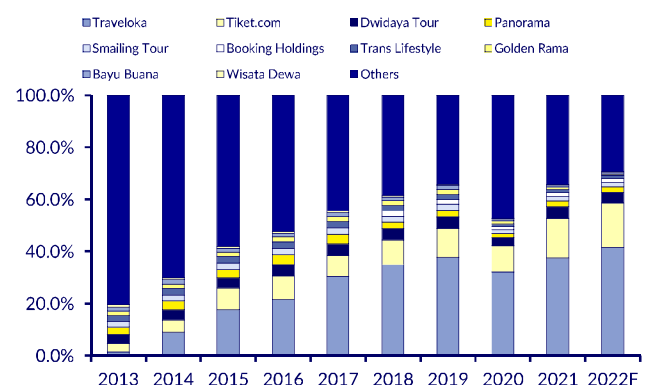
have been performing better since the Pandemic started. Citilink has been carrying more passengers than Garuda Indonesia, which is a new trend where Garuda always had higher passengers before 2020. Market share for travel intermediaries (figure 22) is the other interesting finding with online travel and ticketing firm, Traveloka continues its dominance in the business, despite seeing a bit of contraction in 2020. Traveloka holds 41.5% of market share in 2022, followed by Tiket.com of 17%, Dwidaya Tour 4.1% and Panorama 2.2%.

Figure 21

Passenger carried by airlines in Indonesia

Source: CLSA, Companies

Figure 22

Travel intermediaries market share

Source: CLSA, Euromonitor

The government targets fast recovery for Indonesia's tourism

Come visit Indonesia

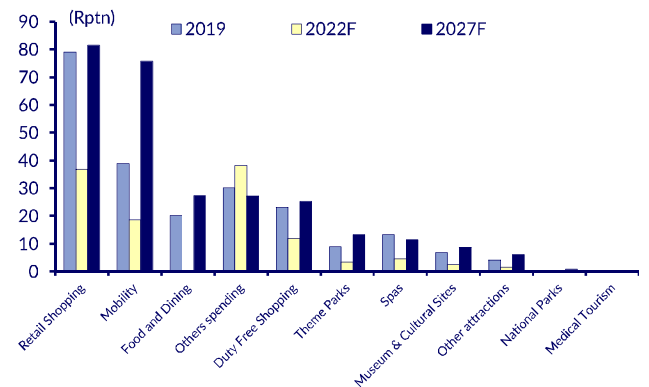
The pandemic was frustrating for the Indonesian government in its ambitious mission to boost the tourism sector. Indonesia once had a peak of 16.1mn of international tourists in 2019 (figure 23), with years of efforts to grow the figure from only 9.4mn in 2014. It dropped by -75% YoY and -61% YoY in both 2020 and 2021 and the Tourism Ministry hopes for a 130% YoY rebound to 3.6mn in 2022 and double again to reach 7.4mn next year. Euromonitor has provided detailed information on the inbound tourist spending in Indonesia (figure 24), with retail shopping the highest in 2022 at Rp37tn, mobility, duty free shopping, Spas, theme parks, museum, food and dining to medical tourism.

Figure 23

Indonesia's yearly foreign tourist arrivals and 2022/23's target

Source: CLSA, Government

Figure 24

Indonesia's inbound tourist spending, by value

Source: CLSA, Euromonitor

Airlines, travel agency, beer producer, taxi operators, and hotel operators are beneficiaries of tourism recovery

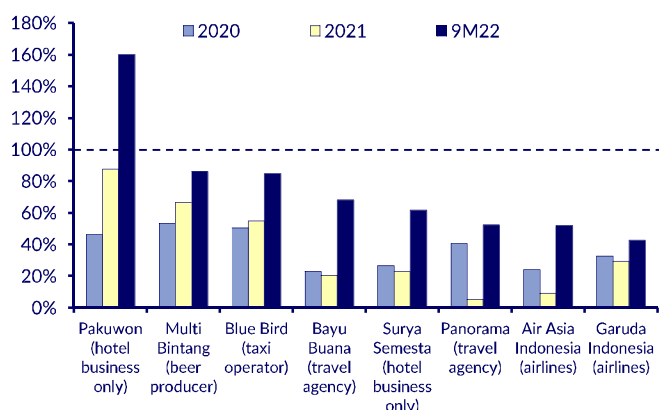
Sales to pre-Covid look encouraging across these sectors

The beneficiaries

There are a lot of sectors and companies that will benefit from the tourism recovery theme. We list beneficiary sectors and the top 1 or 2 companies based on market capitalisation- Airlines operators; Garuda Indonesia (GIAA USD626mn market cap) and Air Asia Indonesia (CMPP, USD125mn market cap), travel agency; Panorama (PANR, USD30mn market cap) and Bayu Buana (BAYU, USD22mn market cap), beer producer (MLBI, USD1.2bn market cap), taxi operator; Blue Bird (BIRD, USD245mn market cap), hotel operators; Pakuwon (PWON, USD1.4bn market cap) and Surya Semesta (SSIA, USD88mn market cap). Note that both Pakuwon and Surya Semesta are originally property/industrial estate developers. Hotel is only 5-10% of their business. Current sales as a percentage of pre-covid levels look encouraging. For instance, improvement can be seen across the aforesaid companies since 2020, 2021 and 9M22 (figure 25). Pakuwon leads the faster recovery with its hotel revenue already 60% above 9M19, in part thanks to hotel expansions and acquisitions. Sales of beer producer Multi Bintang has reached 86% of pre-covid, with sharp recovery in both Bali and some other regions. Better mobility and re-opening has helped improve revenue for the largest taxi operator Blue Bird, together with travel agency and airlines.

Figure 25

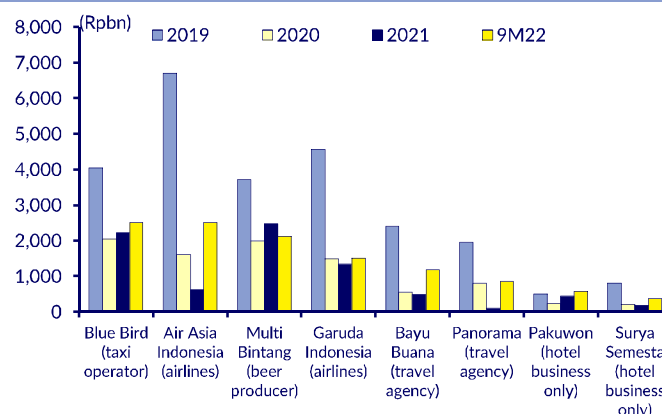
Sales as percentage of pre-Covid (tourism beneficiaries stocks)



Source: CLSA, Companies. Note: This report replaces a previous version and corrects the mention of Pakuwon in the figure above.

Figure 26

Size of revenue across tourism beneficiaries stocks



Source: CLSA, Companies. Note: This report replaces a previous version and corrects the mention of Pakuwon in the figure above.

Figure 27

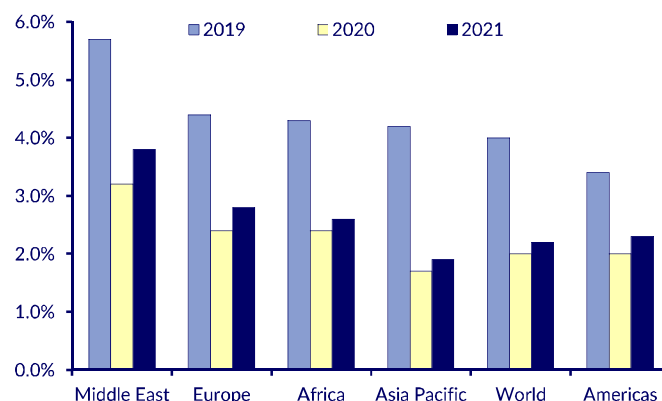
Tourism as percentage of GDP by countries



Source: CLSA, UNWTO

Figure 28

Tourism as percentage of GDP by regions globally



Source: CLSA, UNWTO

Appendix – Wonderful Indonesia

Figure 29

Panoramic view at Selotapak Village in Mojokerto East Java

Source: Tourism Ministry

Figure 30

Tegallalang rice terraces in Bali

Source: Tourism Ministry

Figure 31

Beach in Bangka Belitung Islands Sumatra

Source: Tourism Ministry

Figure 32

Spectacular shoreline of Dodola Island in Morotai Maluku

Source: Tourism Ministry

Figure 33

Kelimutu National Park in Flores East Nusa Tenggara

Source: Tourism Ministry

Figure 34

Panorama look at Tumpak Sewu Waterfalls in Central Java

Source: Tourism Ministry





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 Booking (N-R)
 Cathay Pacific (293 HK - HK\$8.50 - BUY)
 Citilink (N-R)
 Dwidaya Tour (N-R)
 Emirates Airlines (N-R)
 Etihad Airways (N-R)
 Garuda Indonesia (N-R)
 Golden Rama (N-R)
 Lion Air (N-R)
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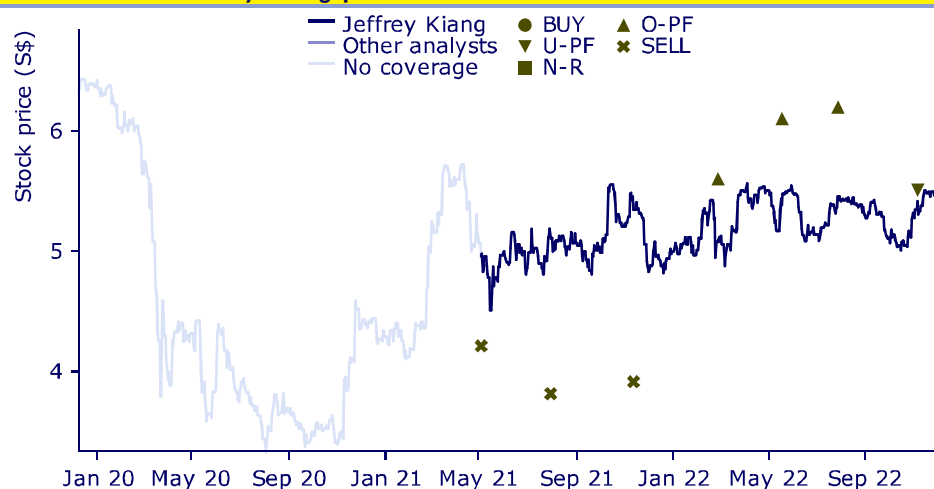
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Important disclosures

Note: This report replaces a previous version and corrects the mention of Pakuwon in Figures 25 and 26.



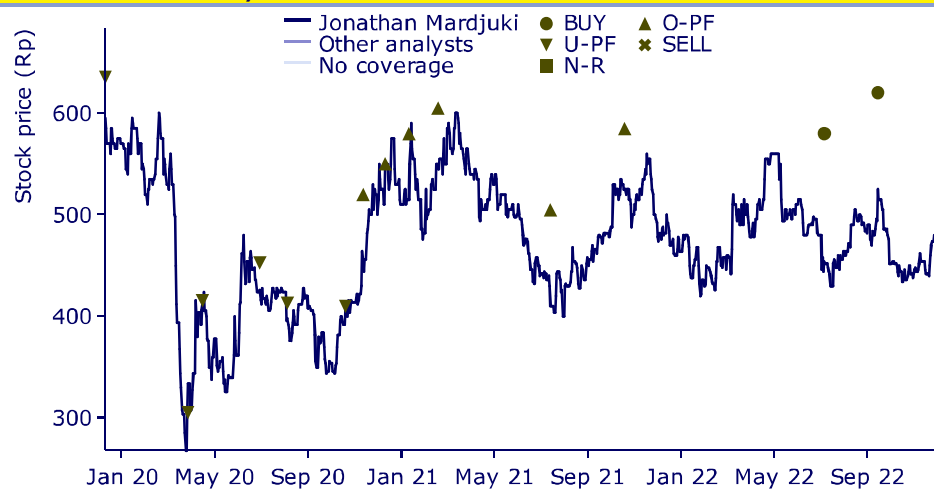
Recommendation history of Singapore Airlines Ltd SIA SP



Date	Rec	Target	Date	Rec	Target
07 Nov 2022	U-PF	5.50	12 Nov 2021	SELL	3.90
29 Jul 2022	O-PF	6.20	30 Jul 2021	SELL	3.80
19 May 2022	O-PF	6.10	03 May 2021	SELL	4.20
27 Feb 2022	O-PF	5.60			

Source: CLSA

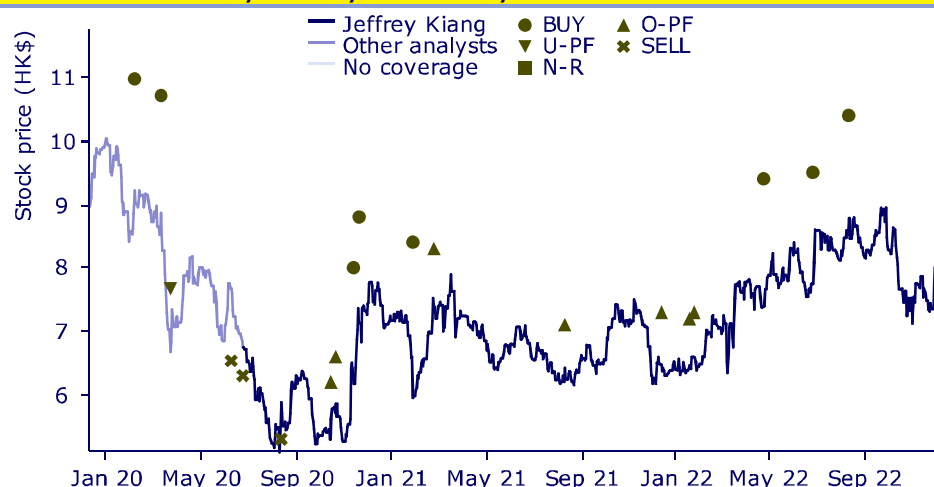
Recommendation history of Pakuwon Jati Tbk PWON IJ



Date	Rec	Target	Date	Rec	Target
15 Sep 2022	BUY	620.00	11 Nov 2020	O-PF	520.00
07 Jul 2022	BUY	580.00	19 Oct 2020	U-PF	410.00
19 Oct 2021	O-PF	585.00	04 Aug 2020	U-PF	413.00
14 Jul 2021	O-PF	505.00	29 Jun 2020	U-PF	452.68
17 Feb 2021	O-PF	605.00	15 Apr 2020	U-PF	415.59
10 Jan 2021	O-PF	580.00	27 Mar 2020	U-PF	305.60
10 Dec 2020	O-PF	550.00	10 Dec 2019	U-PF	635.00

Source: CLSA

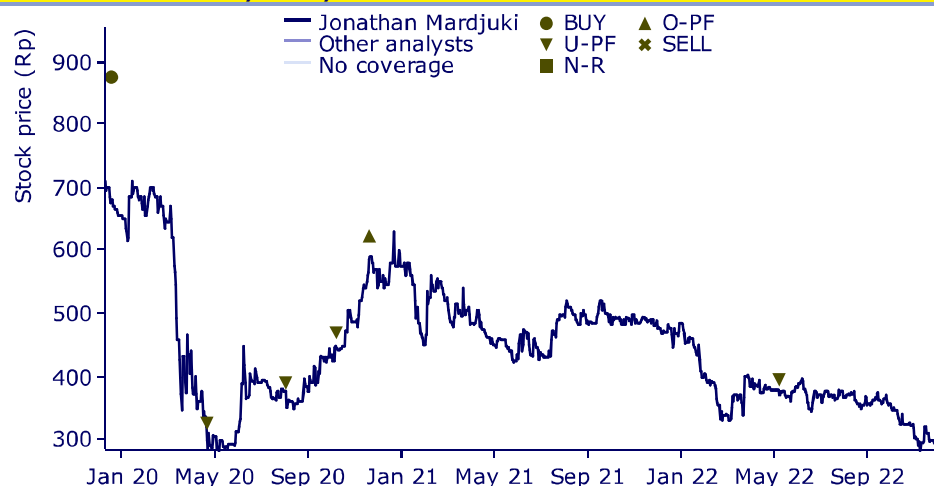
Recommendation history of Cathay Pacific Airways Ltd 293 HK



Date	Rec	Target	Date	Rec	Target
10 Aug 2022	BUY	10.40	13 Nov 2020	BUY	8.00
25 Jun 2022	BUY	9.50	21 Oct 2020	O-PF	6.60
23 Apr 2022	BUY	9.40	15 Oct 2020	O-PF	6.20
24 Jan 2022	O-PF	7.30	12 Aug 2020	SELL	5.30
18 Jan 2022	O-PF	7.20	24 Jun 2020	SELL	6.30*
13 Dec 2021	O-PF	7.30	09 Jun 2020	SELL	6.53*
11 Aug 2021	O-PF	7.10	23 Mar 2020	U-PF	7.67*
24 Feb 2021	O-PF	8.30	11 Mar 2020	BUY	10.71*
28 Jan 2021	BUY	8.40	06 Feb 2020	BUY	10.98*
20 Nov 2020	BUY	8.80			

Source: CLSA; * Adjusted for corporate action

Recommendation history of Surya Semesta Internusa Tbk SSIA IJ



Date	Rec	Target	Date	Rec	Target
09 May 2022	U-PF	394.00	02 Aug 2020	U-PF	389.45
19 Nov 2020	O-PF	623.00	21 Apr 2020	U-PF	325.00
07 Oct 2020	U-PF	469.00	18 Dec 2019	BUY	875.00

Source: CLSA

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