

June 17, 2016

**Panorama Sentrawisata, Tbk**

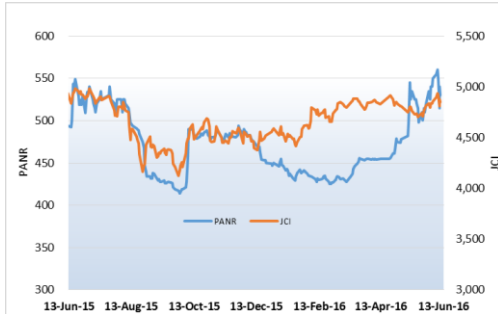
**Secondary Report**

**Target Price**

<b>Low</b>	<b>High</b>
<b>814</b>	<b>981</b>

**Tourism**

**Historical Chart**



Source : Bloomberg, PEFINDO Research & Consulting - Equity & Index Division

**Stock Information**

Ticker code	PANR
Market price as of June 16, 2016	515
Market price - 52 week high	560
Market price - 52 week low	425
Market cap - 52 week high (bn)	672
Market cap - 52 week low (bn)	510

**Last 4 weeks Price and Volume**



Source : Bloomberg, PEFINDO Research & Consulting - Equity & Index Division

**Stock Valuation**

	<b>Last</b>	<b>Current</b>
High	790	981
Low	695	814

**Shareholders\***

	<b>(%)</b>
PT Panorama Tirta Anugerah	64.25
Public (each below 5%)	35.75

\*as of May 31, 2016

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**Capturing opportunities for a better return**



Started from a small family business, founded by Adhi Tirtawisata, PT Panorama Sentrawisata Tbk (PANR), has evolved into the largest integrated tourism company in the country. The journey of more than 40 years has brought the Company to become a solid business group consisting of five lines of business including inbound, travel & leisure, media, transportation, and hospitality. The business pillars are interconnected which we believe has formed a unique and strong business model for the Company. To reach out the market, it has successfully built a business network throughout the Country. It has also developed partnerships with leading global companies in tourism. PANR now manages more than 30 brands in its portfolio and has a rich variety of products and services. To strengthen its inbound pillar, PANR conducts some improvement including changes in Board management composition, developing integrated system and technology, penetration to new markets, and renewing tour packages. Further, PANR has a plan to enlarge the business scale of this pillar to double its capacity. It will also continue to be innovative in tapping opportunities in the fast changing business environment. For example, it is developing e-commerce platforms to support its integrated businesses and penetrating into emerging millennial travelers. PANR also strengthened its travel & leisure pillars by reorganize the management to support its business development and competitive advantages.

## INVESTMENT PARAMETERS

### Target Price Adjustment

We make several adjustments to our previous forecast and revise the target price to **IDR814–IDR981** per share, considering:

- *A more positive business environment.* We view that tourism industry will likely to perform better this year, supported by various government-initiated strategies and more favorable macroeconomic condition. Government targets to increase the tourism share to GDP from 9% in 2014 to 15% by 2019. Recent appreciation of rupiah and added with the weakening of oil price has made travelling more affordable, is expected to stimulate the demand of travelling and return to the growth trajectory in 2013 and earlier.
- *Performing well enough in early 2016.* Net revenue grew by 12.8% YoY in 1Q16 with strong result in the main business lines. We see PANR posted a 15.2% YoY increase of travel and leisure's tour package net revenue amounted to IDR326.8 billion. The Inbound pillar net revenue also significantly grew by 63.1% YoY to IDR92.1 billion. In terms of profitability, we see the margin also improved, with gross profit margin and operating profit margin stood at 24.7% and 8.3% in 1Q16, respectively.
- *Debt remained high but manageable.* Interest bearing debt increased by 15.5% YTD to IDR964.8 billion in line with the need of sizable Capex to capture optimal growth in the coming years. Debt to equity rose to 2.28x in 1Q16, while annualized debt to EBITDA stood at 5.52x. The level of leverage is still relatively manageable as far as the company can increase return of its capital, thus support to lower the leverage indicators. Also, in April 2016, the company maintained stable rating at "A-" with stable outlook.

### Business Prospects

We are in the view that domestic macroeconomy and tourism industry would more likely to perform better. GDP grew at faster pace, supported by strong domestic consumption and steady growth of the fixed capital investment. Lower interest rate environment is expected to spur business activity, thus drive business trip demand. The rupiah seemed to appreciate and oil price has weakened, which made travelling more affordable. We believe tourism industry remained prospective underpinned by government effort to boost tourism sector and the growing of middle class. Government has increased the promotion budget of tourism ministry and also released a number of policy to support domestic tourism, namely opening of several international airports, development of 10 national tourism destinations, and implementation of a free visa entry. Considering PANR's integrated business model, we believe the company has a great chance to capture the opportunity and perform better this year and in the coming years. By combining conventional and digital channels, the company could reach a wider market and strengthen market position in the competition landscape.

**Table 1: Performance Summary**

	2013	2014	2015	2016P	2017P
Revenue [IDR bn]	1,694	1,956	1,923	2,172	2,506
Pre-tax profit [IDR bn]	70	81	67	111	148
Net profit [IDR bn]	39	46	49	76	100
EPS [IDR]	32.7	38.4	40.8	63.6	83.0
EPS growth [%]	56.3	17.4	6.3	55.6	30.6
P/E [x]	11.6	12.4	11.0	8.5*	6.5*
P/BV	1.2	1.3	1.3	1.4*	1.2*

Source: PT Panorama Sentrawisata Tbk, PEFINDO Research and Consulting Equity & Index Valuation Division Estimates  
\* based on share price as of June 09, 2016 – IDR540/share

**MACROECONOMY & BUSINESS INFORMATION**

**Domestic economy seems to be better**

In early 2016, the development of economic indicators signaled an improvement. We see the economy has grown higher by 4.92% YoY Vs 4.73% YoY in 1Q15. The current account recorded surplus worth USD1.64 billion in 1Q16 and contributed to calm down the rupiah which is closed at Rp13,276/USD (down by 3.8% YTD). Meanwhile, domestic inflation was at 4.45% in 1Q16 (Vs 1Q15: 6.36%). The latest, the Central Bank has also loosen monetary policy through a consecutive downward revision of the benchmark interest rate to 6.75% as of March 17, 2016.

**Table 2: Indonesia Economic Indicators**

Indicators	1Q14	2Q14	3Q14	4Q14	1Q15	2Q15	3Q15	4Q15	1Q16
GDP Growth (% YoY)	5.14	4.96	4.97	5.04	4.73	4.66	4.74	5.04	4.92
Inflation (% YoY)	7.32	6.70	4.53	8.36	6.38	7.26	6.83	3.35	4.45
Exchange rate (IDR/USD)	11,404	11,969	12,212	12,440	13,084	13,332	14,657	13,795	13,276
BI rate (%)	7.50	7.50	7.50	7.75	7.50	7.50	7.50	7.50	6.75
Current account (% GDP)	-2.33	-4.26	-3.01	-2.70	-1.95	-1.97	-1.94	-2.39	n.a.

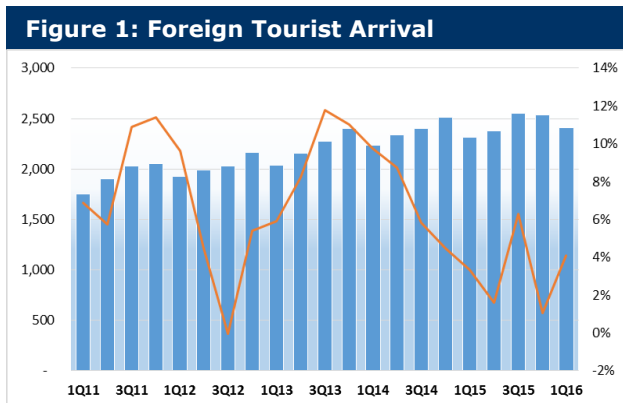
Sources: Central Bureau of Statistics, Bank Indonesia, PEFINDO Research & Consulting - Equity & Index Valuation Division

We are in the view that domestic economy in 2016 is likely to be brighter, which is forecasted to grow by 5.2%. The main driver of growth are domestic consumption and investment (both were accounted for roughly 89% of GDP in 2015). Supported by controlled inflation, less pressure on rupiah and lower interest rate environment, we expect household consumption would grow robustly. Fixed capital investment is expected to grow more highly in response to the release of government's policy packages in 2015 and acceleration of infrastructure spending. However, we remains cautious on external risk. Deceleration of China's economy, downside cycle of global commodities and US economic recovery faltering could be a notable risk in 2016. As a result, the growth of net exports will unlikely to grow faster.

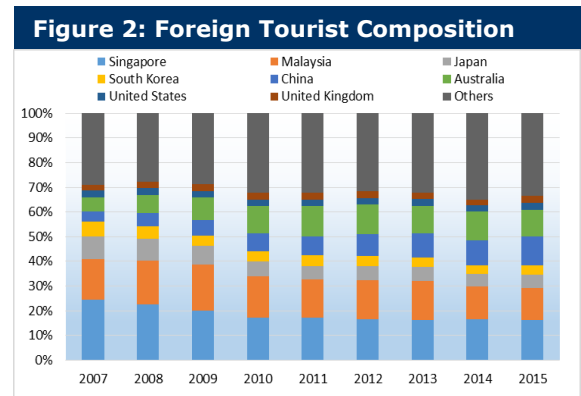
**Expect More Foreign Tourist Arriving**

We are pleased with the government's initiatives in encouraging tourism activity to contribute more on domestic economy. From the medium-term plan, the government targets the number of tourists' visits to reach up to 20 million in 2019. Various policies have been launched, including the establishment of 10 national tourism destinations, the implementation of a free visa entry of tourist visits from 169 countries (Presidential Decree No. 21 of 2016).

This year, government raises more than double for the promotion budget of the tourism ministry (in dollar-denominated) to reach USD400 million from previously USD100 million and USD 30 million in 2014.



Source: Central Bureau of Statistics, PEFINDO Research & Consulting - Equity & Index Valuation Division

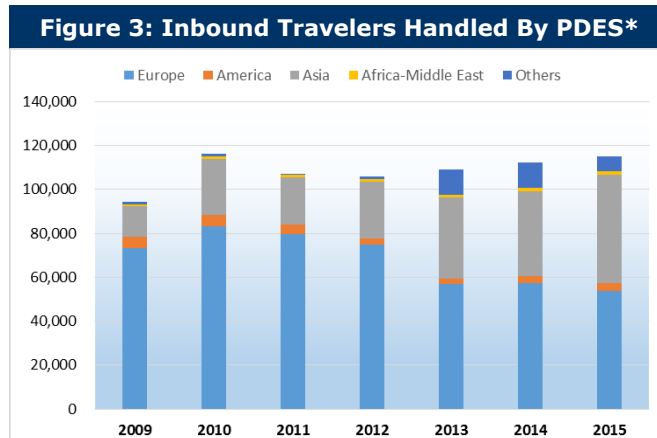


Source: Central Bureau of Statistics, PEFINDO Research & Consulting - Equity & Index Valuation Division

In 1Q16, we see inbound travellers grew by 5.94% YoY to be 2.62 million travelers, moderately higher than 4.08% YoY reported in 1Q15. Singapore and China accounted for 14.0% and 17.4%, while percentage of tourist from Malaysia and Australia are 11.7% and 10.9%, respectively. From historical performance, among those countries, China has grown more rapidly in the past half decades with CAGR 18%, when the others reported single digit of growth. We expect the

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higher-growing of inbound travelers to continue until the end of 2016, which is projected to 12 million foreign tourists as targeted by government.

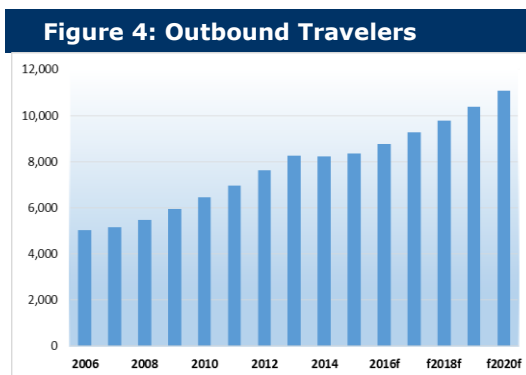


Source: PT Destinasi Tirta Nusantara Tbk (PDES), PEFINDO Research & Consulting - Equity & Index Valuation Division

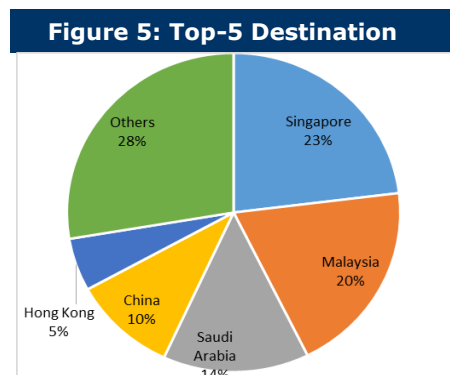
PT Destinasi Tirta Nusantara Tbk, subsidiary, as Inbound pillar of PANR, reported 115,116 pax of inbound travelers in 2015, grew by 2.56% YoY from 112,188 pax. Europe still contribute the most with percentage of share around 50%, followed by Asia 43%, America 3%, etc. To benefit the development in domestic tourism, the company develop luxury tour bus, strengthen the service, and the market network in Europe to strengthen the inbound business, which targets 0.23 billion foreign travelers in 2016. Also, by acquiring 80% stake of PT Buaya Travel Indonesia (known as Asia World Indonesia ), PANR targets to enlarge its volume of clients booking from North America and Northern Europe.

**Travel & Leisure Remain Prospective**

Outbound travellers relatively stagnant since 2014 in line with the weakening domestic macroeconomic fundamentals. In 2015, the number was only grew by 1.3% to 8.35 million travelers, which severe depreciation of rupiah made the travelling cost to be more expensive. But if pulling back to longer period of observations, we find that the outbound travelers have grew by CAGR 5.8% in the last decade. Approximately 83% was for leisure tourism, while 17% was business trips. Singapore, Malaysia, and Saudi Arabia were among Top-3, accounting for roughly half of Indonesians trips. In 2016, the appreciation of rupiah and the weakening of oil price has made the travelling cost more affordable, with support of better domestic economy, the number of travelers is expected to increase even more.



Sources: Bank Indonesia, PEFINDO Research & Consulting - Equity & Index Valuation Division



Sources: Singapore Tourism Board, Bank Indonesia, PEFINDO Research & Consulting - Equity & Index Valuation Division

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Future growth is still prospective, in our view, supported by improved domestic macro-economy. We forecast the outbound travellers are least likely to reach 11.0 million by 2020 or with CAGR 5.8% during period of 2015-2020. Increasing the number of middle-class and affluent consumers (with an additional of 67 million to be 141 million in 2016 as outlined by BCG's study) and the expansion of low cost carriers (LCC) should create more demand for the trips. Also, more openness ASEAN regional potentially drive the growth, both for leisure and business trips and Singapore, Malaysia and Thailand is expected to be top destination among Indonesians.

With strong market position, we believe PANR could seize the opportunity. Currently, outbound business contribute around 74.8% of company's net revenue (2010: 53.9%) with a CAGR of 21.2% during 2010-2015. In the outbound business, the company also targets to capture the Australia and New Zealand markets, which we look have sizable opportunity with a projection of 31,000 visitors to New Zealand and 208,112 visitors to Australia by 2020 from 14,600 visitors and 152,209 visitors in 2014 as forecasted by respective government tourism agency.

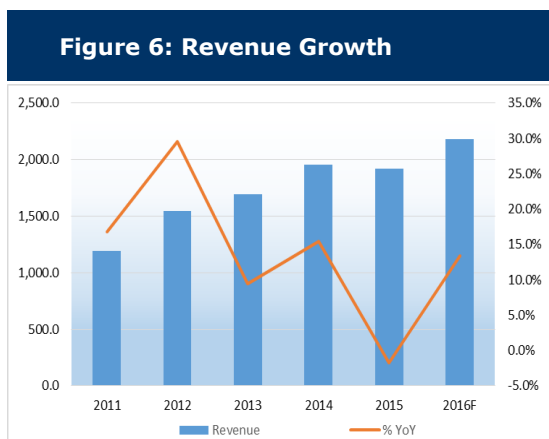
## FINANCE

### Growing well with better margin

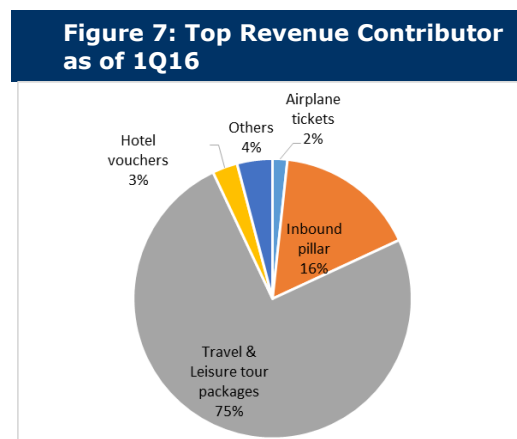
PANR started this year by growing well. The company posted IDR458.8 billion of net revenue, up by 12.8% YoY. In contrast, last year, PANR reported a revenue of IDR1.92 trillion in 2015, slightly decrease by 1.7% from IDR1.96 trillion in the previous years, which is lower than our previous forecast at roughly 7%. Companies no longer consolidated WEHA, which typically contribute around 12% of net revenue. Inbound and Travel & Leisure pillars remain to be the main contributor for PANR.

While the industry growth remained stagnant, travel and leisure's tour package reported strong growth, from IDR1.3 trillion to IDR1.4 trillion or up by 11.3%. It has raising the share to total net revenue from 66.1% in 2014 to 74.8% in 2015. In our view, the company have strong position in this market as indicated by its significant growth in the last five years with an average of 21.5%. In first quarter of 2016, the company reported an increase 15.2% of net revenue valued IDR326.8 billion.

In Inbound pillar, the company posted revenue of IDR92.1 billion, significantly growing by 63.1% compared with the same period in the last years. It tends to recover after a slightly growing in the previous year.



Source: PT Panorama Sentrawisata Tbk, PEFINDO Research & Consulting - Equity & Index Valuation Division

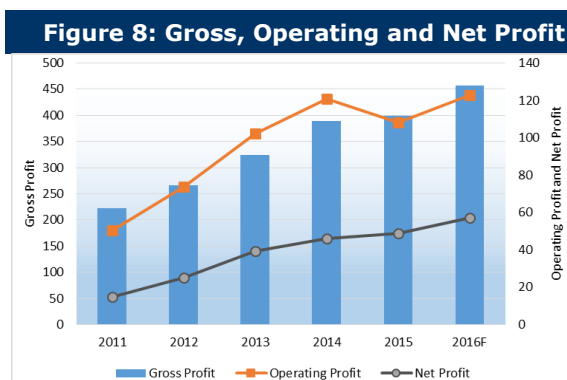


Source: PT Panorama Sentrawisata Tbk, PEFINDO Research & Consulting - Equity & Index Valuation Division

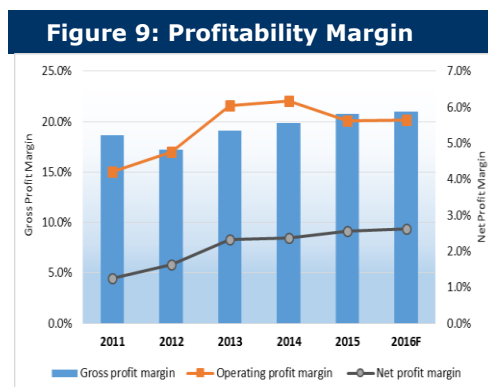
While expecting an improvement in the domestic macro economy, we forecast a better growth in 2016 ( $\pm 13\%$  YoY). We expect PANR could capture more opportunity from the development of domestic tourism. Similarly, we also expect less volatility of rupiah would fuel the number of travellers in this years (2016:  $+5.1\%$  YoY) and provide greater room for growth of the PANR's travel and leisure's tour package. Other potential sources of growth came from an increase in revenue

from the hospitality business and the sale of airline tickets and hotel vouchers, supported by digital channels that have been increasingly integrated.

PANR posted higher gross margin (2015: 20.8% vs 2014:19.9%) in line with higher decline on COGS (-2.8% YoY) than net revenue (-1.7% YOY). Then, the company has been exposed by higher increase of the operating expense (up by 8.8% to IDR291.2 billion), pushed the operating margin down to 5.6% from 6.2% in the previous year but still in its historical track. However, in the early of 2016, the profitability performance have improved. Gross profit margin rose to 24.7% (Vs 1Q15: 22.1%), while operating margin rose from 6.0% in 1Q15 to 8.3% in 1Q16.



Source: PT Panorama Sentrawisata Tbk, PEFINDO Research & Consulting - Equity & Index Valuation Division

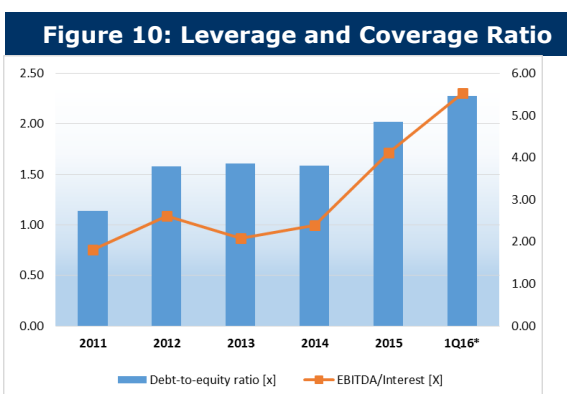


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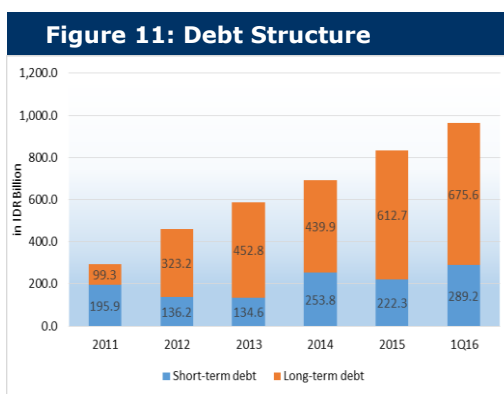
### More Debt Should Drive Higher Return

PANR realized fund from its Shelf Registered Bond in May 2015, thus increasing its leverage. Total debt increased by 15.5% YTD to IDR964.8 billion in 1Q16, comprised of IDR289.2 billion short-terms and IDR675.6 billion long-terms. Debt to equity rose from 1.59x in 2014, 2.02 in 2015 and 2.28x in 1Q16, while debt to EBITDA soared to 4.12x in 2015 from 2.38x in 2014 and stood at 5.52x in 1Q16 (annualized).

We expect PANR to regain higher return on invested capital to reach around 4.6% as posted in the 2013, thus contributing to improve the leverage and at the same time, also manage more prudently its capital expenditure. Also, our sensitivity indicated that, the debt to EBITDA is expected to reach below 3.0x in the next three years if the company could maintain EBITDA growth at around 14% in each years, which is likely can be done by PANR (its average growth in the last five years is 23.8%), in our view. Considering current more favorable business environment and strong position, we believe the company has a great opportunity to reach the target.



Source: PT Panorama Sentrawisata Tbk, PEFINDO Research & Consulting - Equity & Index Valuation Division



Source: PT Panorama Sentrawisata Tbk, PEFINDO Research & Consulting - Equity & Index Valuation Division

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## INDUSTRY COMPARISON

**Table 3: Performance Summary of PANR vs Peer as of 1Q16**

	PANR	BAYU
Net revenue [IDR bn]	459	339
Gross profit [IDR bn]	113	24
Pre-tax profit [IDR bn]	16	6
Net profit [IDR bn]	12	5
Total asset [IDR bn]	1,741	639
Total liabilities [IDR bn]	1,317	263
Total equity [IDR bn]	424	376
<b>Growth [YoY]</b>		
Net revenue [%]	12.82	6.21
Gross profit [%]	26.20	8.55
Pre-tax profit [%]	33.60	7.42
Net profit [%]	47.43	4.66
<b>Profitability</b>		
Gross margin [%]	24.69	7.11
Pre-tax margin [%]	3.42	1.83
Net margin [%]	2.66	1.54
ROA [%]	2.80	3.25
ROE [%]	11.50	5.53
<b>Leverage</b>		
Liabilities to assets [x]	0.76	0.41
Liabilities to equity [x]	3.11	0.70

Source: IDX, PEFINDO Research and Consulting Equity & Index Valuation Division

## TARGET PRICE

### VALUATION

- Methodology**

We applied the income approach using *Discounted Cash Flows* (DCF) as the main valuation approach considering that income growth is a value driver in PANR instead of asset growth.

Furthermore, we applied the Guideline Company Method (GCM) as a comparison method.

This valuation is based 100% on share price as of June 17, 2016, using PANR's financial report as of March 31, 2016, for our fundamental analysis.

- Value Estimation**

We used a Cost of Capital of 10.3% and Cost of Equity of 12.2% based on the following assumptions:

**Table 4: Assumption**

Risk free rate [%]*	7.6
Risk premium [%]*	4.8
Beta [x]**	1.0
Cost of Equity [%]	12.2
Marginal Tax Rate [%]	25.0
<b>WACC [%]</b>	<b>10.3</b>

Source: Bloomberg, PEFINDO Research and Consulting - Equity & Index Valuation Division Estimates

\*as of June 16, 2016

\*\*as of June 16, 2016

Target price for 12 months based on the valuation as of June 17, 2016, is as follows:

- ❖ Using the DCF method with a discount rate assumption of 10.3% is IDR843 – IDR1,005 per share.
- ❖ Using the GCM method (P/E 14.6x and P/BV 1.9x) is IDR744– IDR927 per share.

In order to obtain a value that represents both value indications, we have weighted both DCF and GCM methods by 70%:30%.

Based on the above calculation, the target price of PANR for 12 months is **IDR814 – IDR981** per share.

**Table 5: Summary of DCF Method Valuation**

	Conservative	Moderate	Optimistic
PV of Free Cash Flows – [IDR, bn]	534	562	591
PV Terminal Value – [IDR, bn]	1,304	1,373	1,442
Non-Operating Assets – [IDR, bn]	138	138	138
Debt – [IDR, bn]	965	965	965
Number of Share, [mn shares]	1,200	1,200	1,200
Fair Value per Share, [IDR]	<b>843</b>	<b>924</b>	<b>1,005</b>

Source: PEFINDO Research and Consulting - Equity & Index Valuation Division Estimates



**Table 6: GCM Comparison**

	PANR	BAYU	ITR IN*	2731 TT**	Avg.
P/E [x]	15.8	17.4	10.7	14.4	<b>14.6</b>
P/BV [x]	2.3	1.3	0.9	2.9	<b>1.9</b>

\* ITR IN: International Travel House Ltd., India

\*\* 2731 TT: Lion Travel Service Co. Ltd., Taiwan

Source: Bloomberg, PEFINDO Research and Consulting - Equity & Index Valuation Division Estimates

**Table 7: Summary of GCM Method Valuation**

	Multiple [x]	Est. EPS [IDR]	Est. BV/share [IDR]	Value [IDR]
P/E	14.6	63.6	-	<b>927</b>
P/BV	1.9	-	395.1	<b>744</b>

Source: Bloomberg, PEFINDO Research and Consulting Estimates - Equity & Index Valuation Division Estimates

**Table 8: Fair Value Reconciliation**

	Fair Value per Share [IDR]		
	DCF	GCM	Average
Upper limit	1,005	927	<b>981</b>
Bottom limit	843	744	<b>814</b>
Weight	70%	30%	

Source: PEFINDO Research and Consulting Estimates - Equity & Index Valuation Division Estimates

Note: average price is rounded according to the fractional price prevailing on the IDX

**Table 9: Consolidated Statement of Comprehensive Income**

(IDR bn)	2013	2014	2015	2016P	2017P
Net revenue	1,694	1,956	1,923	2,172	2,506
Direct costs	(1,370)	(1,567)	(1,524)	(1,663)	(1,911)
<b>Gross profit</b>	<b>324</b>	<b>389</b>	<b>400</b>	<b>509</b>	<b>595</b>
Operating expenses	102	121	108	176	208
EBITDA	202	232	178	219	266
<b>Pre-tax profit</b>	<b>70</b>	<b>81</b>	<b>67</b>	<b>111</b>	<b>148</b>
Tax	(22)	(21)	(17)	(28)	(37)
<b>Net profit</b>	<b>39</b>	<b>46</b>	<b>49</b>	<b>76</b>	<b>100</b>

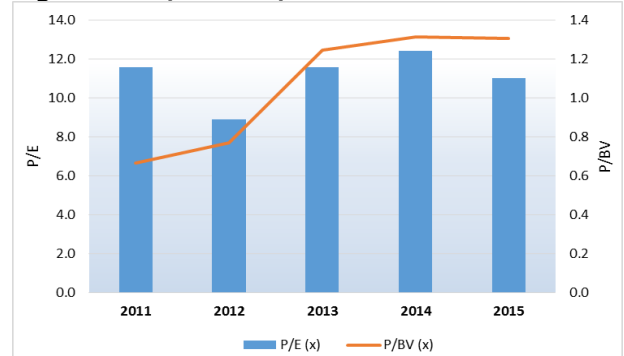
Source: PT Panorama Sentrawisata Tbk, PEFINDO Research & Consulting - Equity & Index Division

**Table 10: Consolidated Statement of Financial Position**

(IDR bn)	2013	2014	2015	2016P	2017P
<b>Assets</b>					
Cash and cash equivalents	166	140	101	183	282
Short-term investments	15	40	21	23	27
Trade receivables	205	305	303	261	301
Non-trade receivables	20	36	37	41	48
Inventories	3	4	3	4	4
Other current assets	83	215	154	173	200
<b>Total current assets</b>	<b>491</b>	<b>739</b>	<b>619</b>	<b>685</b>	<b>861</b>
Fixed assets	573	531	811	817	814
Due from related parties	23	25	16	25	29
Other non-current assets	195	375	299	296	297
<b>Total assets</b>	<b>1,282</b>	<b>1,670</b>	<b>1,746</b>	<b>1,824</b>	<b>2,002</b>
<b>Liabilities and equity</b>					
Short-term debts	135	254	222	298	370
Trade payables	178	325	230	264	304
Non-trade payables	28	22	16	26	30
Other short-term liabilities	66	126	171	151	167
<b>Total current liabilities</b>	<b>407</b>	<b>726</b>	<b>639</b>	<b>739</b>	<b>871</b>
Long-term debts	437	416	603	499	448
Other non-current liabilities	72	91	91	111	126
<b>Total liabilities</b>	<b>916</b>	<b>1,233</b>	<b>1,333</b>	<b>1,350</b>	<b>1,446</b>
<b>Total equity</b>	<b>366</b>	<b>437</b>	<b>413</b>	<b>474</b>	<b>556</b>

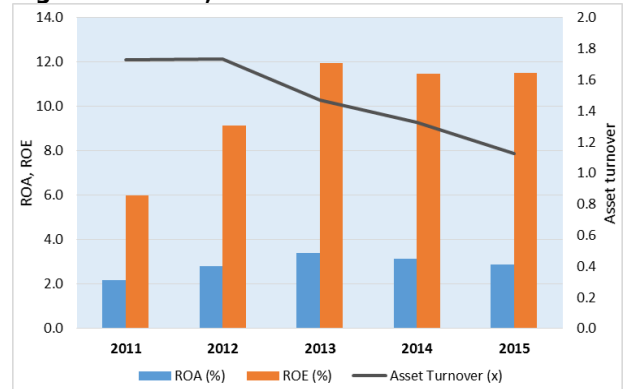
Source: PT Panorama Sentrawisata Tbk, PEFINDO Research & Consulting - Equity & Index Division

**Figure 12: P/E and P/BV**



Source: PT Panorama Sentrawisata Tbk, PEFINDO Research & Consulting - Equity & Index Valuation Division

**Figure 13: ROA, ROE and Total Assets Turnover**



Source: PT Panorama Sentrawisata Tbk, PEFINDO Research & Consulting - Equity & Index Valuation Division

**Table 11: Key Ratios**

	2013	2014	2015	2016P	2017P
<b>Growth [%]</b>					
Net revenue	9.5	15.5	-1.7	13.0	15.3
Gross profit	21.5	19.9	2.8	27.5	16.8
Pre-tax profit	43.1	16.0	-16.9	65.4	33.5
EBITDA	54.3	14.8	-23.2	23.0	21.2
Net profit	56.3	17.4	6.3	55.6	30.6
<b>Profitability [%]</b>					
Gross margin	19.1	19.9	20.8	23.5	23.8
Pre-tax margin	4.1	4.1	3.5	5.1	5.9
EBITDA margin	11.9	11.9	9.3	10.1	10.6
Net margin	2.3	2.4	2.5	3.5	4.0
ROA	3.4	3.1	2.9	4.3	5.2
ROE	12.0	11.5	11.5	17.2	19.3
<b>Liquidity [x]</b>					
Current Ratio	1.2	1.0	1.0	0.9	1.0
Quick Ratio	0.9	0.7	0.7	0.6	0.7
<b>Solvability [x]</b>					
Debt to equity	1.6	1.6	2.0	1.7	1.5
Debt to asset	0.5	0.4	0.5	0.4	0.4

Source: PT Panorama Sentrawisata Tbk, PEFINDO Research and Consulting - Equity & Index Valuation Division Estimates

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