Panorama Sentrawisata

Not Rated

Early Bird Proposition

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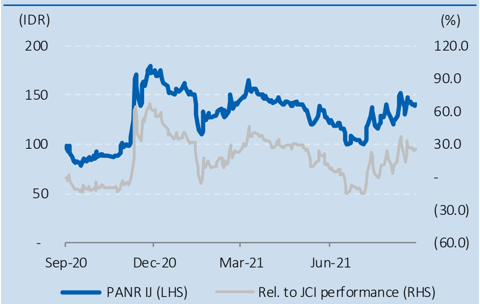
Current Price: IDR149

12M PRICE PERFORMANCE



STOCK PERFORMANCE

	YTD	1M	3M	12M
Absolute	-2.6%	12.0%	22.1%	52.0%
JCI Return	2.5%	-0.2%	0.8%	18.7%
Relative	-5.1%	12.2%	21.3%	33.3%

FINANCIAL HIGHLIGHT

	EV/EBITDA (x)	EPSG (%)	P/E (x)	P/B (x)
2018	7.8	n.a.	(6.7)	0.1
2019	5.8	10.1	(7.5)	0.1
2020	(7.8)	(857.8)	(0.8)	0.2

MARKET DATA

12M price range (IDR)	77 - 210
12M PE range (x)	0.0 - 0.0
Outstanding shares (mn)	1,200
Market cap (IDRbn)/(USDmn)	179 / 13
Avg daily turn. (IDRbn/USDmn)	25.5 / 1.8

SHAREHOLDERS

PT Panorama Tirta Anugerah	64.3%
Public	35.8%

Source: Bloomberg, BCA Sekuritas

Last lag of recovery play; Waiting for the runway to clear

We are led to understand that recovery of the tourism sector to a pre-pandemic level might not manifest until the very last cycle; while it is far too early to highlight, when the wave begins to swell, Panorama Sentrawisata (PANR IJ) might well be one of the key beneficiaries of a robust swing to recovery. Pent-up demand for travelling is definitely evident, with relaxation of restrictions typically followed by higher mobility for retail and recreation. On a separate note, Management has laid out several initiatives to strengthen its technological system, using its powerful database to offer customization tour products through potential collaboration with online travel agents (OTA) likely to expand the reach of the Company. Note that, the Company has identified 6.7m users, of whom 85% are in the domestic market On such a scale, PANR's valuation proposition has always been on the tour & travel segment. We have noted an interesting development with the subsidiary of WEHA transportation as well, as it ventures into intercity food delivery to your door, with guaranteed same-day service.

Strengthening digital capability

While the impact from the pandemic has been severe, PANR has customized its product offering to cope with the strange situation, with offerings such as **"Family private escape"**, **"Workcation from Bali + Free Vaccine"** and **"Marvelous Turkey"**, starting at IDR12.6mn, which includes a 7-day quarantine hotel stay upon returning. In addition, PANR expects further collaboration with OTA to unfold, selling potential tour & travel packages through their platform, as this has not been the strength of OTA. The great focus of OTA has been on airline tickets and hotel vouchers. Adding tour & travelling customization features would undoubtedly provide additional scale for PANR, furthering penetration. Tour and travel contribute 83% to PANR revenue in normal times but has dipped substantially in 1H21 to around 40%. On a separate note, border reopening and vaccination rate will potentially stand as the most critical factors for a recovery play proposition to manifest successfully.

Reshaping capital for larger scale penetration

PANR 1H21 net gearing stood at 1.05x, acutely high, although the Company has obtained a degree of relaxation from lenders. PANR is in motion to tackle this issue, by potentially assessing asset divestment and a plan to raise funds through rights issue, recently approved by the shareholder. Assuming that EBITDA will recover to 60%-70% of pre-pandemic level in 2022, PANR is currently trading at an EV/EBITDA multiple of 3.41x-3.98x with current PBV at 0.26x, well below its historical average of 0.68x. 2021 earnings might continue to loiter in negative territory, but our simulation suggests that if revenue were to recover to 60% of Pre-Covid level, PANR should be able to deliver positive turnaround, partially supported by its cost transformation through digital systems, reducing opex by around 40% and is likely to push overhead costs to below 15% revenue from 20-21% previously. Note that on top of its rights issue plan, management is currently in discussion to potentially divest its portfolio business with an estimated value of USD20-25mn. At this stage of the cycle, full restoration might be highly dependent upon Covid-19 caseload; nevertheless, recent mobility of retail and recreation should be an early (or perhaps very early) indication of the Company finally reviving smooth growth.

Financial highlights	2018	2019	2020	6M20	6M21
Revenue	2,036.9	1,951.2	793.2	432.1	34.0
EBITDA	94.5	110.4	(78.9)	(51.6)	(30.3)
EV/EBITDA (x)	7.8	5.8	(7.8)	(6.1)	(13.3)
Net income	(25.0)	(22.5)	(215.7)	(94.5)	(63.9)
Net Profit Growth (%)	n.a.	10.1	(857.8)	56.2	32.4
EPS (IDR)	(20.9)	(18.8)	(179.7)	(78.8)	(53.3)
EPS Growth (%)	n.a.	10.1	(857.8)	56.2	32.4
PE (x)	(6.7)	(7.5)	(0.8)	(0.9)	(1.3)
BVPS	693	803	591	712	537
PB (x)	0.14	0.12	0.16	0.14	0.18
ROE (%)	(3.0)	(2.3)	(30.4)	(11.1)	(9.9)
Net Gearing	68.6	49.0	63.2	54.3	99.2

Financial summary

Income Statement Year-end 31 Dec (IDRbn)	2018	2019	2020	6M20	6M21
Revenue	2,036.9	1,951.2	793.2	432.1	34.0
Cost of revenue	1,667.5	1,594.6	728.9	382.0	34.5
Gross profit	369.5	356.5	64.3	50.1	(0.5)
EBITDA	94.5	110.4	(78.9)	(51.6)	(30.3)
EBIT	37.7	59.2	(126.0)	(72.7)	(47.9)
Interest income	6.2	3.5	11.5	5.3	3.2
Interest expenses	(67.0)	(65.5)	(67.7)	(26.1)	(27.8)
Other income (expenses)	(55.7)	(75.6)	(111.5)	(42.4)	(31.2)
Pre-tax profit	(18.0)	(16.4)	(237.5)	(115.1)	(79.1)
Taxes	7.0	6.2	(21.8)	(20.6)	(15.2)
Net income	(25.0)	(22.5)	(215.7)	(94.5)	(63.9)
EPS	(20.9)	(18.8)	(179.7)	(78.8)	(53.3)

Balance Sheets Year-end 31 Dec (IDRbn)	2018	2019	2020	6M20	6M21
Cash and cash equivalents	73.5	251.6	218.0	299.5	42.9
Receivables, net	332.6	331.3	133.8	197.4	144.4
Fixed, intangible, and right of use assets	746.7	918.3	876.8	908.5	854.0
Advances and prepaid taxes and expenses	214.9	263.5	198.4	262.8	209.1
Investment in associates and shares	229.1	178.5	135.5	156.9	124.6
Other assets	216.5	204.7	204.6	198.7	200.7
Total assets	1,813.3	2,147.8	1,767.0	2,023.6	1,575.7
S-T liabilities	199.7	150.8	185.3	180.5	167.5
Other S-T liabilities	259.2	361.6	220.3	318.1	177.2
L-T liabilities	444.7	572.4	480.2	583.1	514.6
Other L-T liabilities	77.7	99.8	72.6	87.0	71.7
Total liabilities	981.3	1,184.6	1,058.4	1,168.7	931.0
Total equities	832.0	963.2	708.6	855.0	644.6
Total liabilities & equities	1,813.3	2,147.8	1,767.0	2,023.6	1,575.7

Cash Flow Statement Year-end 31 Dec (IDRbn)	2018	2019	2020	6M20	6M21
Receipt from customers	3,904.7	4,240.2	1,298.3	1,207.6	129.3
Payment to employees, suppliers, and merchants	(4,264.2)	(4,049.1)	(1,296.3)	(1,190.4)	(174.5)
Other operating activities	(103.5)	(93.8)	(78.9)	(36.3)	(30.4)
Operating C/F	(463.0)	97.4	(76.9)	(19.1)	(75.6)
Capital expenditure	(31.7)	(0.3)	13.1	1.1	2.0
Other investing activities	148.1	(23.3)	27.1	23.3	(2.0)
Investing C/F	117.5	(23.6)	40.1	24.4	2.0
Net change in debt	(38.0)	94.3	23.6	43.5	(107.5)
Proceeds from additional capital contributions	(1.3)	(1.6)	(15.7)	0.0	0.0
Other financing activities	7.6	12.0	(5.1)	(3.7)	2.5
Financing C/F	(31.6)	104.7	2.9	39.7	(105.0)
Change in cash	(377.1)	178.4	(33.9)	45.1	(178.6)
Effects of foreign exchange rate changes on cash	0.7	(0.4)	0.3	36.4	(78.0)
Beginning cash flow	450.0	73.5	251.6	218.0	299.5
Ending cash flow	73.5	251.6	218.0	299.5	42.9

Key metrics	2018	2019	2020	6M20	6M21
Gross Margin (%)	18.1	18.3	8.1	11.6	(1.5)
EBITDA Margin (%)	4.6	5.7	(10.0)	(11.9)	(89.3)
EBIT Margin (%)	1.8	3.0	(15.9)	(16.8)	(141.2)
Pretax margin (%)	(0.9)	(0.8)	(29.9)	(26.6)	(232.9)
Net Margin (%)	(1.2)	(1.2)	(27.2)	(21.9)	(188.2)
ROE (%)	(3.0)	(2.3)	(30.4)	(11.1)	(9.9)
ROA (%)	(1.4)	(1.0)	(12.2)	(4.7)	(4.1)
Net gearing (%)	68.6	49.0	63.2	54.3	99.2

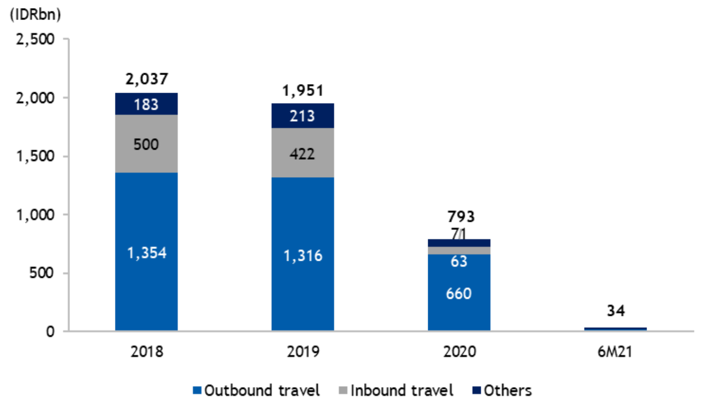
Revival mode

Severe impact for the inbound; Outbound demand has slowly and selectively recovered

Signs of traction on the outbound corporate customers, potentially departing to open border country of US

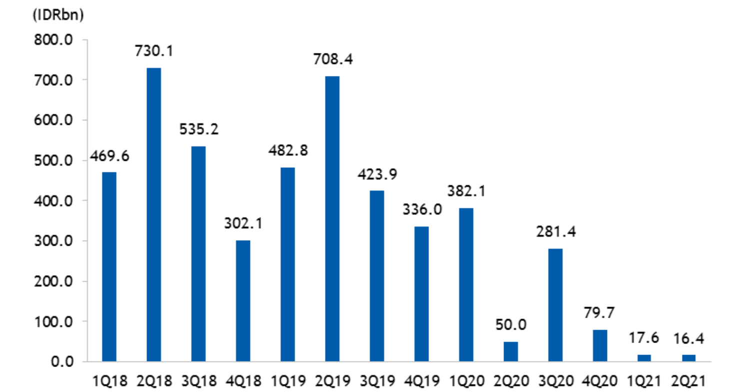
The pandemic has undoubtedly had severe damage to the tourism sector, with outbound tour and travel typically account for around 80% of total revenue. The close border policy adopted by several countries has exacerbated the uncertainty on the recovery of PANR. On a more positive note, management has highlighted that the customization of products, such as “Marvelous Turkey” has attracted positive traction, with early indication on the return of corporate outbound customers to an open country destination, such as New York, USA. This will likely unfold toward the end of Oct-21 with key customers typically stem from incentive-based corporates such as insurance or MLM. Note that corporates clients normally contribute ~80% of travel & leisure revenue (Outbound) with gross margin of around 13-15%.

Exhibit 1 Revenue segmentation: far from the pre-pandemic level, as tourism is considered as the last cycle of recovery play



Sources: Company, BCA Sekuritas

Exhibit 2. Revenue trend: outbound travel has been mostly driven by the border policy

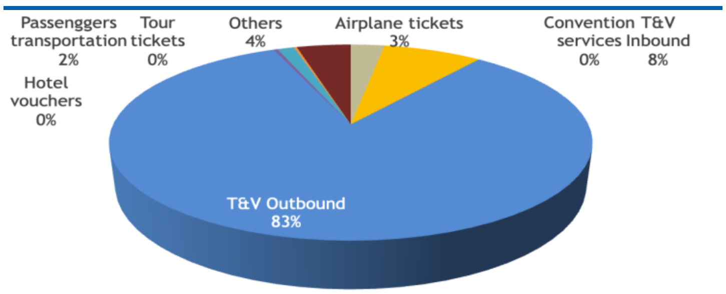


Sources: Company, BCA Sekuritas

Likely to be a slow recovery for the inbound, given border restriction and quarantine requirement

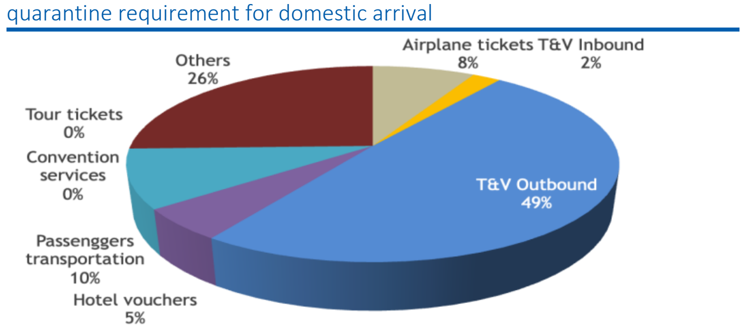
It is more likely that the inbound segment recovery would only materialize in a more longer-term than the outbound, given requirement of 7 days quarantine with potential lifting of this policy might not unfold anytime soon or being altered constantly, not to mention the policy on the international hub airport such as Singapore. The prerequisite for sustain recovery therefore would hinge on the synchronization of global border policy. Note that as of July 2021, tourist arrival has not exhibited a sign of recovery with monthly arrival dropping to only around 139k people, 90.5% below pre-covid level. The upside risk, therefore, would hinge on either open border policy or potential removal of 7-days quarantine, although it might escalate to risk of further Covid transmission. Historically, inbound segment provides better margin of **around 20%**, partly due to the foreign currency transaction-based.

Exhibit 3. 2020 revenue contribution: outbound revenue mostly driven by corporate segment, account for 80% of travel and leisure revenue



Sources: Company, BCA Sekuritas

Exhibit 4. 1H21 revenue: severe across all segments, given close border policy in several popular destination countries, international hub, and 7-days quarantine requirement for domestic arrival



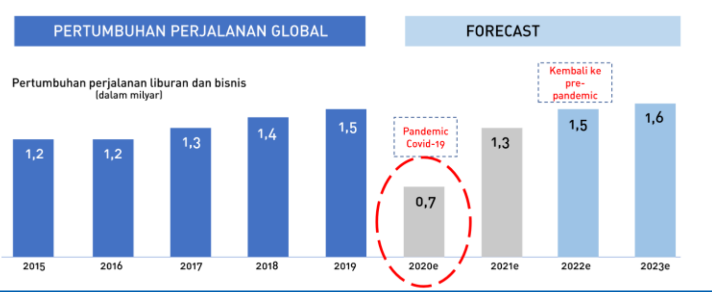
Sources: Company, BCA Sekuritas

60% revenue recovery to the pre-pandemic might reverse operational income and earnings to positive territory

The pandemic has encouraged management to structurally reformed its cost structure through digital adoption, allowing 40% overhead cost reduction

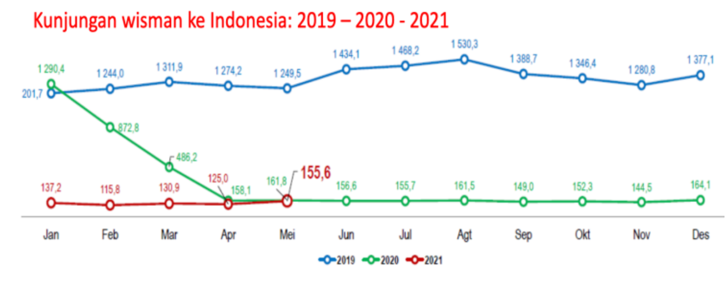
Management highlighted that revenue restoration will likely need to reach around 60% to the pre-covid level before operational or even earnings turnaround will manifest. This is likely in 2022, with the company is striving to push more revenue from the tour & leisure segment, aiming to offer US tour, for example. On separate note, the pandemic has encouraged structural reform on the cost structure through digitalization, which according to the management will likely allow around 40% operational cost efficiency, paving the way for potential swing of margin above pre-covid level should the travelling condition resume to normal.

Exhibit 5. Recovery to the pre-covid level will manifest in 2022



Sources: Company, BCA Sekuritas

Exhibit 6. Unseen recovery so far on tourists arrival



Sources: Company, BCA Sekuritas

OTA in the making?

6.7m users in the ecosystem as per 2019

The capex spending over the next three years will be mostly deployed for digital enhancement. It is worth noting that PANR has one of the most integrated business chains with sufficient scale allowing the company to secure ticket/hotel vouches sales at more attractive price point. In fact, its hotel aggregator subsidiary, MG Bedbank, has a substantial scale, of which 20% are sold to the usual OTA such as Agoda. In the near-term, PANR is likely to launch its full online platform, but likely to adopt the conventional-based model with no cash burning. Unlike most OTA, with initially cash-burning business model, PANR's strength in providing tour and travel services and expansions in the OTA-like business model might offer a strong proposition for profitability to stay intact.

Exhibit 7. PANR business value chain: most integrated

Sources: Company, BCA Sekuritas

More on WEHA – "On Demand Service" on the spotlight

"Same day" delivery service to your door

WEHA Transportasi Indonesia (WEHA) is **40%-owned** by PANR and has initiated transformation through its "DayTrans" digital platform, which originally started as a shuttle transportation provider. The "DayMall" feature on its platform enables users to place a food delivery order (PO) direct to your door in major Javanese cities, such as Bandung, Semarang, and Surabaya. Our observation suggests that it would cost around IDR15k-IDR20k to place an order from Bandung, with delivery direct to your door: quite an affordable fare.

Exhibit 8. More than 2.4k merchants onboard

Sources: Company, BCA Sekuritas

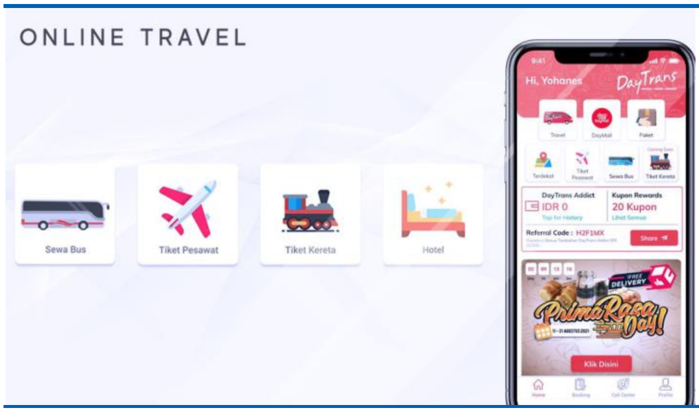
Exhibit 9. Total order value of DayMall

Sources: Company, BCA Sekuritas

Alternative parcel delivery is being adopted to provide a cushion of income from falling passenger numbers during the pandemic. As of this writing, DayMall has 2,400++ merchants with familiar names like Prima Rasa, Kartika Sari and Kingsley Batagor. Management highlights the fact that in 3Q21, "DayMall" has managed to deliver 4,801 orders, an increase of close to 35x from the initial launch of just 138 in 3Q20.

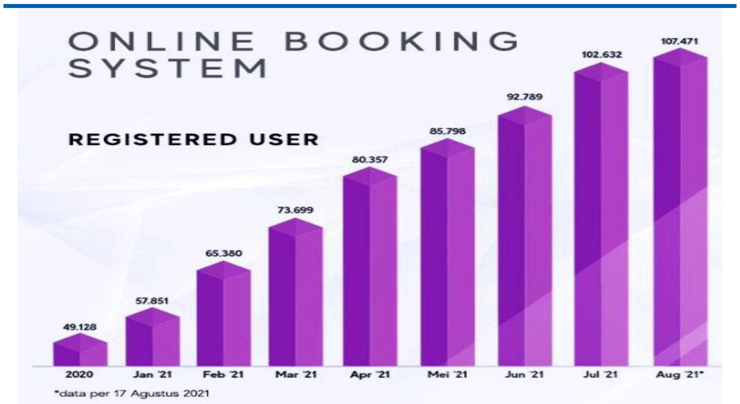
On a separate note, WEHA online booking system has registered 107,471 users, selling a variety of transportation tickets including air, train, shuttle bus rental and hotel voucher ones.

Exhibit 10. Products offered by DayTrans



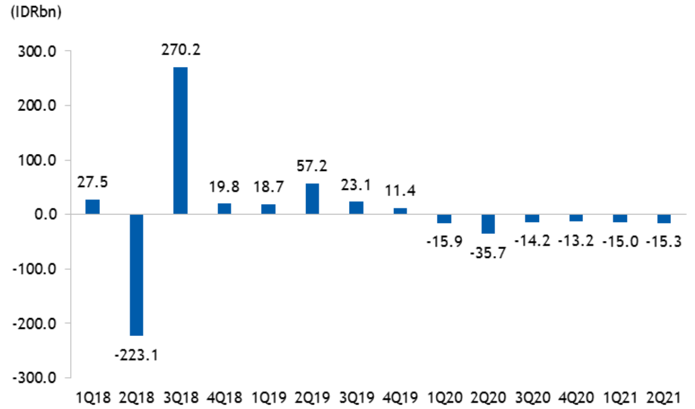
Sources: Company, BCA Sekuritas

Exhibit 11. Numbers of registered users



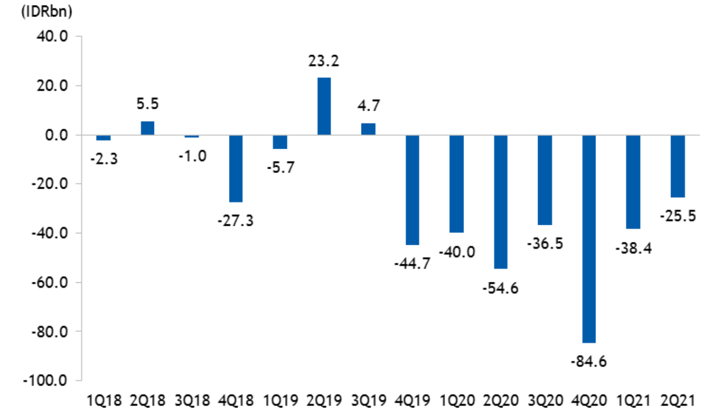
Sources: Company, BCA Sekuritas

Exhibit 12. EBITDA trend



Sources: Company, BCA Sekuritas

Exhibit 13. Net income trend



Sources: Company, BCA Sekuritas

Exhibit 14. Product adjustment to adapt to the pandemic

Sources: Company, BCA Sekuritas

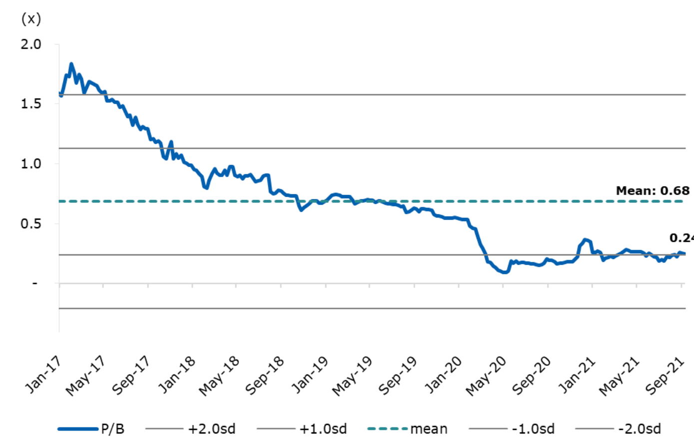
Exhibit 15. Product adjustments to adapt to the new regulations

Sources: Company, BCA Sekuritas

Exhibit 16. PANR EV/EBITDA

Sources: Company, BCA Sekuritas

Exhibit 17. PANR P/B – *PANR is currently trading at 0.24x P/B*



Sources: Company, BCA Sekuritas

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