

Panorama Sentrawisata

Sector: (Overweight)

NOT RATED

Gilang Purnama

E-mail: gilang.purnama@bahana.co.id
Phone: +6221 250 5081 ext. 3601

Price: IDR650
JCI: 5,440

Stock with a view

- Beneficiary of Jokowi's policy on tourism:** Panorama Sentrawisata (PANR), the country's leading tourism company, should continue to benefit from President Jokowi's policy to strengthen Indonesia's tourism industry to be at par with other Southeast Asian neighbors like Thailand and Malaysia. To achieve this agenda, Indonesia's tourism marketing budget has risen sharply to USD400mn in 2016 from USD100mn in 2015 and USD40mn in 2014. Additionally, the government targets the GDP contribution from tourism industry to increase to 15% by 2019 from 9% in 2014 (exhibit 13), with the number of foreign tourists reaching 20mn by 2019 from 10.4mn in 2015 (exhibit 13). The government has also implemented other tourism supports by upgrading airports, developing tourism destinations and allowing free-entry visas for 169 countries (exhibit 14).
- Operating profit CAGR of 29.6% in 2012-15:** In 3Q15, PANR deconsolidated its transportation division (exhibit 8) due to intense competition from online mobile-app-based transportation (Go-Jek, Uber, Grab). Excluding its transportation segment in 2014, PANR booked 12% y-y growth in 2015 net revenue. In 2012-15 the operating profit CAGR reached 29.6% (exhibit 16), suggesting PANR's strong fundamentals and management team (exhibit 6) in a highly competitive industry.
- Focusing on technology development in e-commerce:** To spur traffic and volume demand, PANR is continuing to focus on e-commerce as its B2C consumers shift to purchase travel & leisure packages via the Internet. PANR already owns a number of running platforms: Panoramatours.com, Travelicious.co.id, Rajakamar.com andTurez.id (exhibit 10). Management believes that the e-commerce platform is in fact complimentary to its offline business, which has advisory services to supplement its overall Travel & Leisure distribution channel. PANR also plans to conduct a strategic alliance with Go-Car (Go-Jek's car transportation service) to collaborate and develop the group's listed Whitehorse (PDES IJ-IDR212-NOT RATED) transportation business, which had in the past suffered from intense competition.
- Travel & Leisure expansion:** Travel & Leisure contributed 82% of PANR's total 1H16 net revenue, amounting to IDR968bn (+12.6% y-y), up from IDR860bn in 1H15, backed by higher purchasing power in 1H16 and improving the distribution channel from online services. Note that its online distribution channel proportion improved to around 27% in 1H16 from 25% in 1H15. Management expects to obtain a higher proportion of retail consumers by developing the e-commerce platform. However, concurrently, PANR is still expanding its already well-established off-line distribution channel, which at present is the main contributor to its revenue (exhibit 20). PANR currently owns 70 off-line stores, with most located in Java (exhibit 9).

Exhibit 1. Company information

Market cap (IDRt/USDb)	:	0.8/0.06
3M avg.daily t.o.(IDRb/USDm)	:	0.8/0.06
Bloomberg code	:	PANR IJ

Source: Bloomberg

Exhibit 2. Shareholders information

Panorama Tirta Anugra (%)	:	64
Public (%)	:	35
Other (%)	:	1

Source: Bloomberg

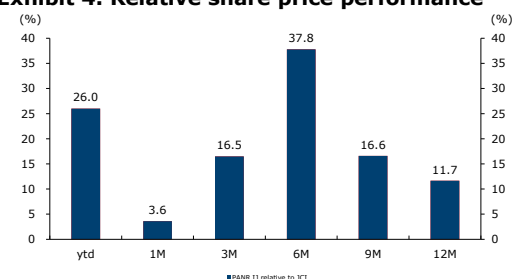
Exhibit 3. Key forecasts and valuations

Year to 31 Dec	2014	2015	1H15	1H16
Revenue (IDRbn)	1,956	1,923	1,097	1,185
EBIT (IDRbn)	122	109	70	90
Net profit (IDRbn)	46	49	23	23
EPS (IDR)*	38	41	38	39
EPS growth (%)	17.4	6.3	na	na
EV/EBITDA (x)	39.2	(96.5)	131.8	73.0
P/E (x)*	16.9	15.9	17.3	16.9
FCFPS (IDR)	(130.7)	(89.7)	(184.1)	(246.6)
FCF yield (%)	(20)	(14)	(28)	(38)
BVPS (IDR)	217	158	238	303
P/BV (x)	3.0	4.1	2.7	2.1
DPS (IDR)	8	6.1	-	-
Div. yield (%)	1.3	0.9	-	-
ROAA (%)	3.1	2.9	1.2	1.2
ROAE (%)	19.1	21.8	8.3	8.3
EBIT mgn (%)	6.2	5.7	6.4	7.6
Net gearing (%)	172.5	367.5	223.0	220.6

Source: Company, Bahana estimates

Note: Pricing as of close on 9 August 2016

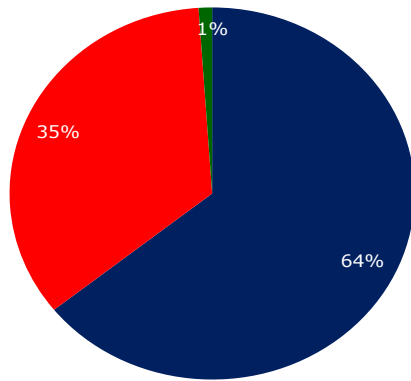
Exhibit 4. Relative share price performance



Source: Bloomberg, Bahana

- Trading at single-digit 2017F PE of 9x, based on management estimates:** On valuation, PANR currently trades at a 2016F PE of 11x (net profit of IDR72bn, 1H16: IDR23bn), before falling to 9x in 2017F, based on management's forecasts. This compares favorably to its peers' valuations (exhibit 21). Note that seasonality-wise, PANR's earnings are 2H heavy with contributions accounting for up to 70% of the total full-year (exhibit 19). Given solid government support of growth in the tourism industry, PANR's share price has outperformed the market by 26% ytd (exhibit 4).

Exhibit 5. Shareholder structure



■ Panorama Tirta Anugerah ■ Public ■ Others

Panorama Tirta Anugerah owns the largest portion of PANR shares at 64%, followed by the public 35% and others 1%

Source: Company

Exhibit 6. Board of directors (BOD) and commissioners (BOC)



Toni Setioko	Dharmayanto Tirtawisata	Adhi Tirtawisata	Satrijanto Tirtawisata	Agus Ariandy Sijoatmodjo
<i>Independent Commissioner</i>	<i>Commissioner</i>	<i>President Commissioner</i>	<i>Commissioner</i>	<i>Independent Commissioner</i>

Management team has an average of more than 20 years of industry experience



Budijanto Tirtawisata	Ramajadto Tirtawisata	Daniel Martinus	Amanda Arlin Gunawan
<i>President Director</i>	<i>Director</i>	<i>Director</i>	<i>Director</i>

Source: Company

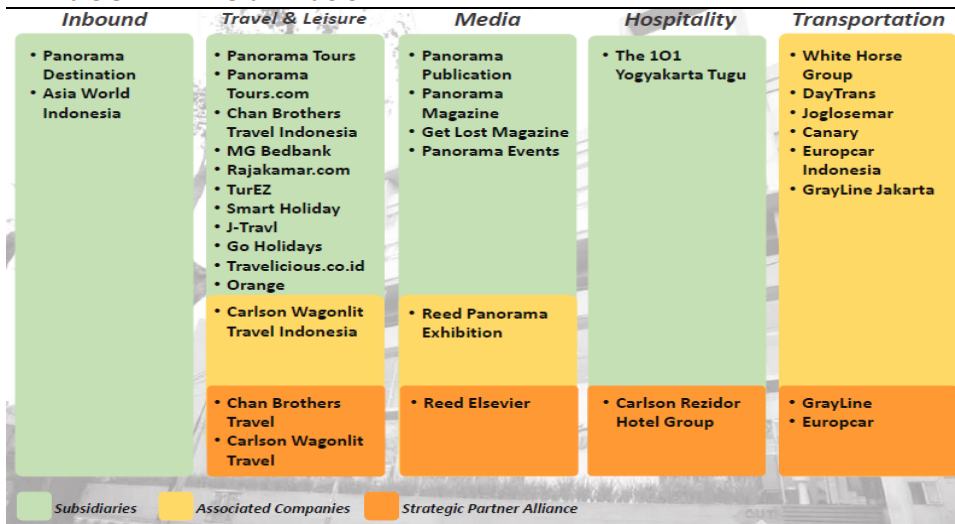
Exhibit 7. PANR's business structure



PANR splits its business model into 3 sectors (tourism, transportation and hospitality) and 5 segments

Source: Company

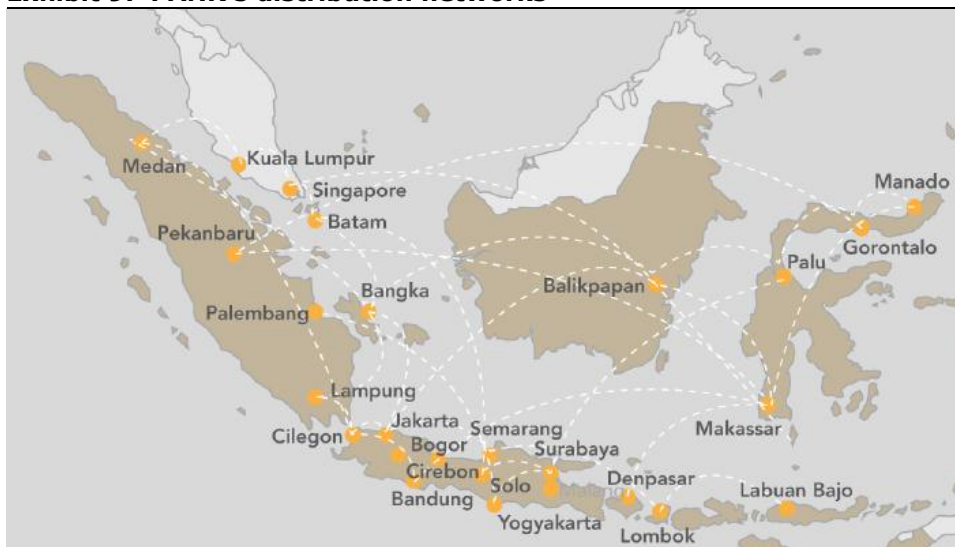
Exhibit 8. PANR's affiliation



PANR recently deconsolidated its transportation segment

Source: Company

Exhibit 9. PANR's distribution networks



Well spread outlets across the country

Source: Company

Exhibit 10. PANR's tourism brand

TOURISM



PANR has a number of tourism brands which operate in inbound, travel & leisure and e-commerce segments

Source: Company

Exhibit 11. PANR's transportation brand

TRANSPORTATION



Providing transportation service through Whitehorse, Daytrans, Canary and Europcar brands

Source: Company

Exhibit 12. PANR's hospitality brand

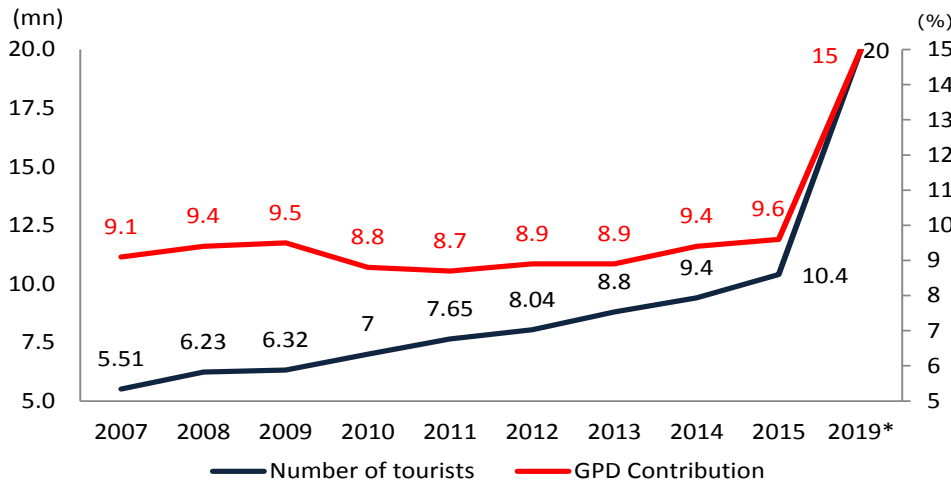
HOSPITALITY



PANR's hospitality sector booked average occupancy rate of 72% in 1H16, up from 69% in 1H15

Source: Company

Exhibit 13. Tourism contribution to GDP



Ministry of Tourism expects the number of foreign tourists to reach 20mn with contribution to GDP of 15% in 2019

Source: Indonesia's national statistic agency, *Ministry of tourism forecast

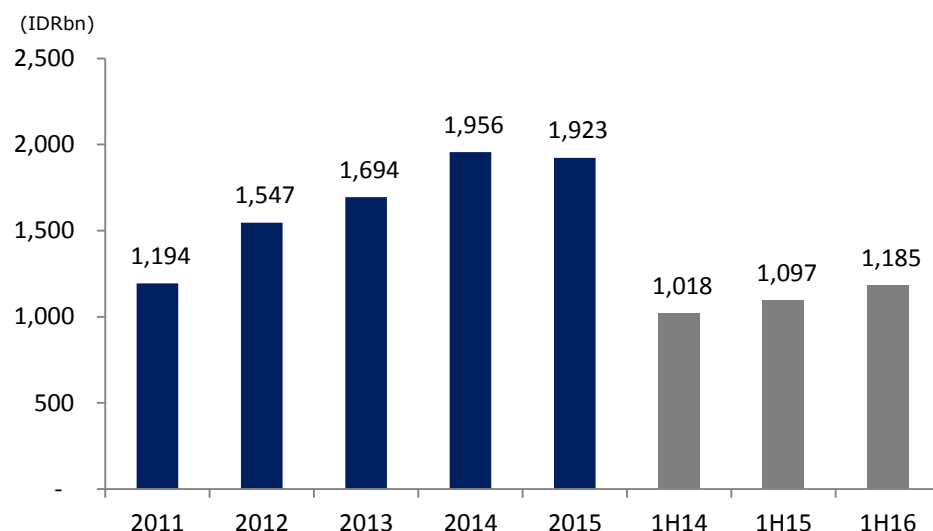
Exhibit 14. Free visas countries to Indonesia

List of free visa entry to Indonesia					
Albania *	Chad *	Haiti *	Malta	Romania	Tojo *
Algeria	Chile	Honduras *	Marshall Islands *	Russia	Tonga *
Andorra *	China	Hong Kong SAR	Mauritania *	Rwanda *	Trinidad & Tobago *
Angola	Commonwealth of	Hungary	Mauritius *	Samoa *	Tunisia
Antigua and Barbuda	Comoros *	Iceland	Mexico	San Marino	Turkey
Argentina	Costa Rica *	India	Moldova *	Sao Tome and Principe	Turkmenistan *
Armenia *	Cote D'Ivoire *	Ireland	Monaco	Saudi Arabia	Tuvalu *
Australia *	Croatia	Italy	Monqolia *	Senegal *	Uganda *
Austria	Cuba *	Jamaica *	Morocco	Serbia *	Ukraine *
Azerbaijan	Cyprus	Japan	Mozambique *	Seychelles	United Arab Emirates
Bahamas *	Czech Republic	Jordan	Myanmar	Singapore	Uruguay *
Bahrain	Denmark	Kazakhstan	Namibia *	Slovakia	USA
Bangladesh *	Dominican Republic	Kenya *	Nauru *	Slovenia	Uzbekistan *
Barbados *	Ecuador	Kiribati *	Nepal *	Solomon Island *	Vanuatu *
Belarus	Egypt	Kuwait	Netherlands	South Africa	Vatican City
Belgium	El Salvador *	Kyrgyzstan	New Zealand	South Korea	Venezuela
Belize *	Enqland	Laos	Nicaragua *	Spain	Vietnam
Benin *	Estonia	Latvia	Norway	Sri Lanka *	Zambia *
Bhutan *	Fiji	Lebanon	Oman	St Kitts and Nevis *	Zimbabwe *
Bolivia *	Finland	Lesotho *	Palau *	St Lucia *	
Bosnia and Herzegovina	France	Liechtenstein	Palestine *	St Vincent and the Grenadines	
Botswana *	Gabon *	Lithuania	Panama	Suriname	
Brazil *	Gambia *	Luxembourg	Papua New Guinea	Swaziland *	
Brunei	Georgia *	Macao SAR	Paraguay *	Sweden	
Bulgaria	Germany	Macedonia *	Peru	Switzerland	
Burkina Faso *	Ghana	Madagascar *	Philippines	Taiwan	
Burundi *	Greece	Malawi *	Poland	Tajikistan *	
Cambodia	Grenada *	Malaysia	Portugal	Tanzania	
Canada	Guatemala *	Maldives	Puerto Rico *	Thailand	
Cape Verde *	Guyana *	Mali *	Qatar	Timor-Leste	

Government provides 169 countries free visa entries into Indonesia to boost the tourism industry on the ground

Source: Indonesia-investment.com, *new addition

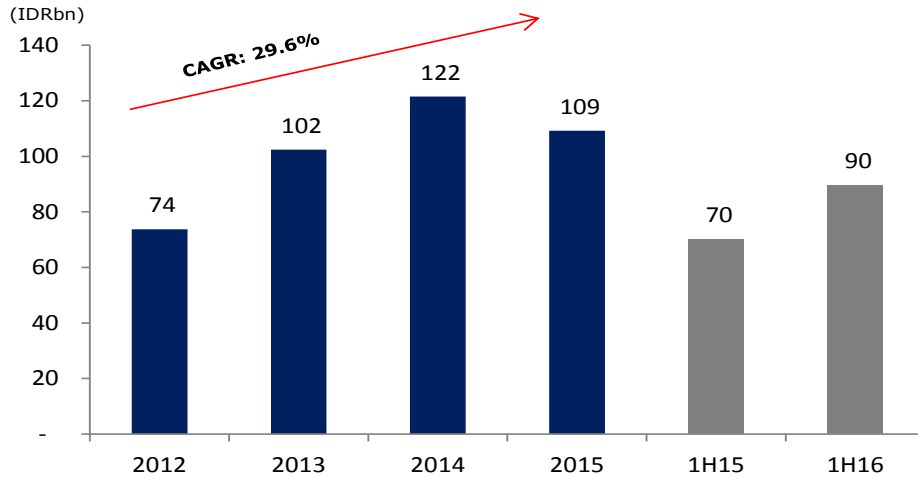
Exhibit 15. Net revenue, 2011-1H16



PANR booked the highest revenue in 2014 due to the deconsolidation of its transportation division in 2015

Source: Company

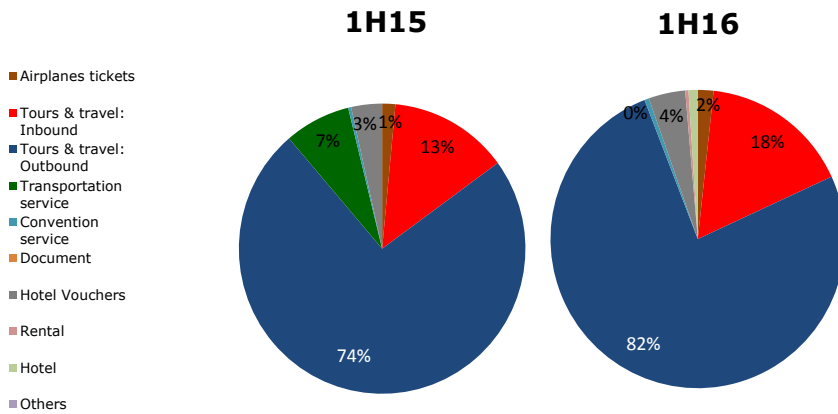
Exhibit 16. Operating profit, 2012-1H16



PANR booked operating profit CAGR of 29.6% in 2012-2015

Source: Company

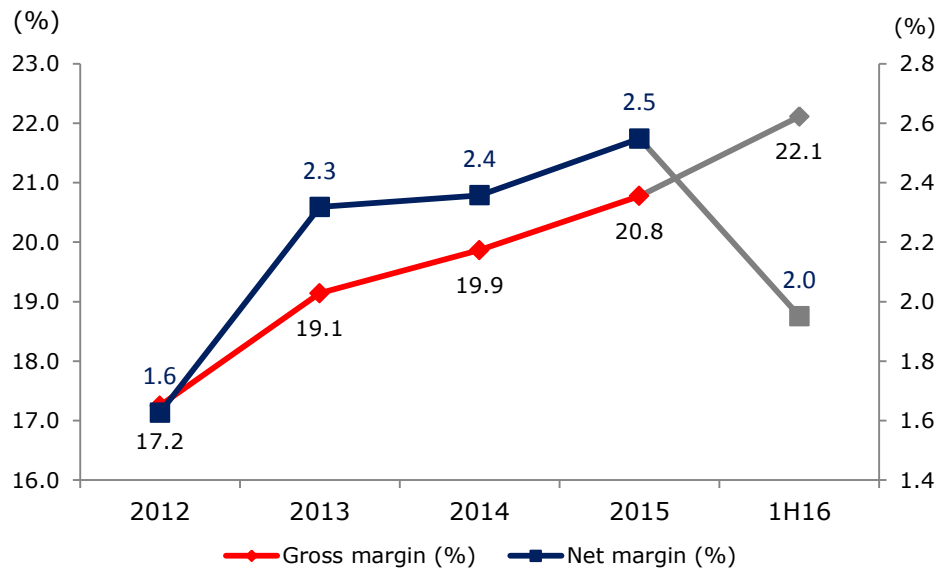
Exhibit 17. Revenue breakdown per segment, 1H15-1H16



Outbond tours & travel segments continuously become the highest contributor to total net revenue at 74% in 1H15 and 82% in 1H16

Source: Company

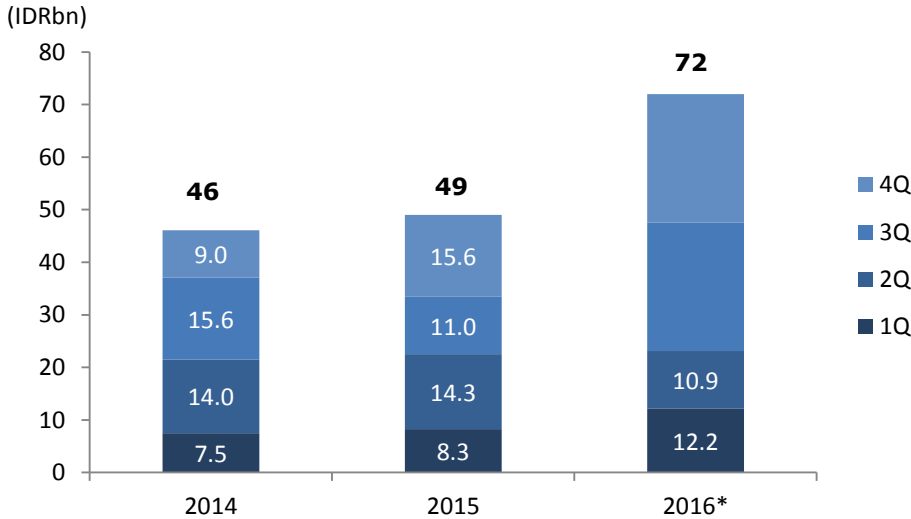
Exhibit 18. PANR's margin, 2012-1H16



The company maintains gross margin expansion from 2012-15 with the highest margin of 22.1%

Source: Company

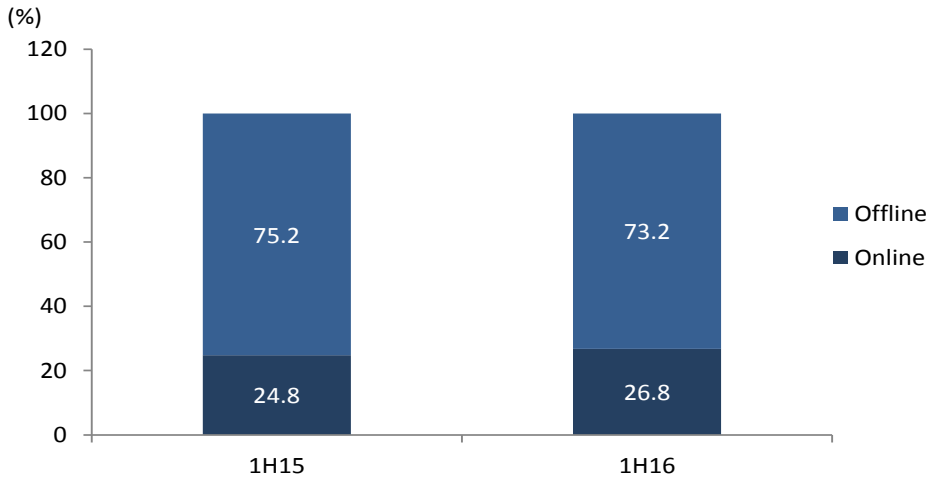
Exhibit 19. Revenue breakdown per segment, 2014-2015



The management expects its net profit in 2016 to reach IDR72bn

Source: Company, *Management forecast

Exhibit 20. Distribution channel breakdown, 1H15-1H16



The offline stores still managed to book the highest contribution amounting to 73.2%

Source: Company

Exhibit 21. PANR's regional peers comparison

	Market cap (USD\$b)	P/E (X)		PBV (x)		EV/EBITDA (x)		Div. yield (%)		ROE (%)	
		2016F	2017F	2016F	2017F	2016F	2017F	2016F	2017F	2016F	2017F
China	4.7	74.5	50.9	6.2	5.0	54.4	44.0	0.6	0.6	12.4	13.0
UTOUR GROUP CO LTD-A	2.6	52.8	38.1	6.1	4.3	31.3	21.5	0.4	0.5	14.2	14.6
CHINA UNITED TRAVEL CO LTD-A	0.9	198.1	121.4	8.2	8.1	171.6	145.2	na	na	3.1	4.5
CHANGBAI MOUNTAIN TOURISM -A	0.7	40.4	32.7	4.9	4.4	25.5	23.7	1.1	1.1	12.3	13.6
ZHANGJIAJIE TOURISM GROUP-A	0.6	28.4	25.1	5.3	4.4	17.9	18.1	1.7	1.7	18.7	18.1
Other	3.9	24.8	14.2	1.3	1.2	6.6	5.6	1.5	1.9	5.9	11.1
H I S CO LTD	1.8	33.3	13.6	1.8	1.6	6.3	4.9	1.0	1.1	6.1	16.3
COX AND KINGS LTD	0.5	10.3	10.9	1.1	1.1	6.6	6.3	0.6	1.0	11.3	12.9
CHINA TRAVEL INTL INV HK	1.6	19.4	16.0	0.8	0.7	6.9	6.3	2.4	3.1	4.0	4.4
Indonesia	7.7	9.5	9.3	na	na	8.2	na	na	na	19.3	na
PANORAMA SENTRAWISATA TBK PT	7.7	9.5	9.3	na	na	8.2	na	na	na	19.3	na
Regional Average	16.2	48.0	29.6	2.1	1.7	21.8	14.1	0.5	0.6	16.5	6.4

Source: Bloomberg

Panorama Sentrawisata

Year to 31 December	2013	2014	2015	1H15	1H16
PROFIT & LOSS (IDRbn)					
Sales	1,694	1,956	1,923	1,097	1,185
Gross profit	324	389	400	209	262
EBITDA	179	208	(87)	63	116
Depreciation	77	86	(196)	(7)	27
EBIT	102	122	109	70	90
Net interest inc./ (expense)	20	29	26	4	3
Forex gain/(losses)	0	28	35	2	4
Other income/(expense)	(53)	(98)	(103)	(36)	(54)
Pre-tax profit	70	81	67	40	43
Taxes	22	21	17	10	12
Minority interest	(8)	(14)	(2)	(7)	(8)
Net profit	39	46	49	23	23

Revenue booked double digit growth of 15% y-y in 2014 but was flat in 2015 due to the deconsolidation of its transportation division

BALANCE SHEET (IDRbn)

Cash and equivalents	166	140	101	235	142
S-T investments	-	-	-	-	-
Trade receivables	205	305	303	383	335
Inventories	3	4	3	38	7
Fixed assets	573	531	811	804	978
Other assets	335	690	528	529	710
Total assets	1,282	1,670	1,746	1,989	2,171
Interest bearing liabilities	505	589	799	873	944
Trade payables	178	325	230	299	296
Other liabilities	233	319	303	334	311
Total liabilities	916	1,233	1,333	1,506	1,551
Minority interest	142	177	223	197	257
Shareholders' equity	224	260	190	286	364

Increased debt ...

CASH FLOW (IDRbn)

EBIT	102	122	109	70	90
Depreciation	77	86	(196)	(7)	27
Working capital	54	99	(44)	(131)	41
Other operating items	(148)	(379)	154	94	(254)
Operating cash flow	86	(72)	23	26	(97)
Net capital expenditure	(200)	(85)	(131)	(247)	(199)
Free cash flow	(115)	(157)	(108)	(221)	(296)
Equity raised/(bought)	(1)	-	-	-	-
Net borrowings	104	83	211	284	145
Other financing	61	48	(142)	32	191
Net cash flow	50	(26)	(39)	95	40
Cash flow at beginning	116	166	140	140	101
Ending cash flow	166	140	101	235	142

... to support projects and capex

RATIOS

ROAE (%)	18.6	19.1	21.8	8.3	8.3
ROAA (%)	3.4	3.1	2.9	1.2	1.2
Gross margin (%)	19.1	19.9	20.8	19.0	22.1
EBITDA margin (%)	10.6	10.6	(4.5)	5.8	9.8
EBIT margin (%)	6.0	6.2	5.7	6.4	7.6
Net margin (%)	2.3	2.4	2.5	2.1	2.0
Payout ratio (%)	23.0	20.6	12.1	-	-
Current ratio (x)	1.2	1.0	1.0	1.5	1.1
Interest coverage (x)	(5.1)	(4.2)	(4.1)	(18.6)	(26.9)
Net gearing (%)	151.6	172.5	367.5	223.0	220.6
Debts to assets (%)	39.4	35.3	45.8	43.9	43.5
Debtor turnover (days)	47	48	58	28	24
Creditor turnover (days)	43	59	67	32	26
Inventory turnover (days)	1	1	1	2	0

Gross margin expansions in 2013-15, helped in part by the deconsolidation of its troubled transportation business in 2015

Source: Company, Bahana estimates

Gilang Purnama (gilang.purnama@bahana.co.id) +6221 250 5081 ext. 3601

Research: +62 21 250 5081



Harry Su
harry.su@bahana.co.id
Senior Associate Director
Head of Strategy & Research
ext 3600
direct: +62 21 250 5735



Handi Huta Jaya
handi@bahana.co.id
Strategist and Product Head
ext 3610



Leonardo Henry Gavaza, CFA
leonardo@bahana.co.id
Senior Research Manager
Auto, Telco, Infrastructure
ext 3606



Arandi Ariantara
arandi@bahana.co.id
Research Analyst
Coal, Metals, Oil & Gas
ext 3619



Fakhru Fulvian
fakhru.fulvian@bahana.co.id
Economist
ext 3602



Sanni Satrio Dwi Utomo
sanni@bahana.co.id
Research Analyst
Industrial Estates, Property
ext 3611



Renaldy Effendy
renaldy@bahana.co.id
Research Analyst
Consumer, Healthcare
ext 3606



Amanda Christine Liu
amanda@bahana.co.id
Research Analyst
Media, Retail
ext 3605



Muhammad Wafi
wafi@bahana.co.id
Technical Analyst
ext 3609



Michael W Setjoadi
michael@bahana.co.id
Research Analyst
Consumer, Poultry
ext 3620



Gregorius Gary
gregorius@bahana.co.id
Research Analyst
Transportation, Plantations
ext 3604



Mardy Oramahi Alhusnah
mardy@bahana.co.id
Research Analyst
Small Caps
ext 3621



Gilang Purnama
gilang.purnama@bahana.co.id
Research Analyst
Telco
ext 3601



Sarah Jessica Hutapea
sarah.jessica@bahana.co.id
Research Associate
ext 3693



Fikri Dzirkian Amrullah
fikri@bahana.co.id
Research Associate
ext 3623



Made Ayu Wijayati
made.ayu@bahana.co.id
Research Executive
ext 3607



Zefanya Halim
zefanya@bahana.co.id
CA Manager
ext 3612



Novianty Permata Sari
novianty@bahana.co.id
CA
ext 3618

Dealing Room: +62 21 527 0808 (Foreign Institutional)

+62 21 250 5508 (Domestic Institutional)

+62 31 535 2788 (Surabaya Branch)



Natalia Surjadiputra
natalia@bahana.co.id
Director of Sales &
Client Relationship Management
ext 2500



Kartika Sutandi, CFA
kartika.sutandi@bahana.co.id
Head of Equity Institutional Sales
ext 2590



Ashish Agrawal
ashish@bahana.co.id
Vice President
Institutional Equity Sales
ext 2550 / 2553



Yohanes Adhi Handoko
yohanes@bahana.co.id
Manager, Surabaya Branch
ext 7250



Amelia Husada
amelia@bahana.co.id
Vice President
Institutional Equity Sales
ext 2532



Alvin Gunawan
alvin.gunawan@bahana.co.id
Institutional Equity Sales
ext 2591



Bram Taarea
bram@bahana.co.id
Institutional Equity Sales
ext 2524



Suwardi Widjaja
suwardi@bahana.co.id
Institutional Equity Sales
ext 2548



John M. Dasaad
dasaad@bahana.co.id
Institutional Equity Sales
ext 2549



Ari Santosa
ari.santosa@bahana.co.id
Sales Trader
ext 2554



Hanna Marionda
hanna@bahana.co.id
Sales Trader
ext 2525



Adriana Kosasih
adri@bahana.co.id
Sales Executive
ext 2541

Head Office

Graha Niaga, 19th Floor
Jl. Jend. Sudirman Kav. 58
Jakarta 12190
Indonesia
Tel. 62 21 250 5081
Fax. 62 21 522 6049



PT Bahana Securities

<http://www.bahana.co.id>

Surabaya Branch

Wisma BII, Ground Floor
Jl. Pemuda 60-70
Surabaya 60271
Indonesia
Tel. 62 31 535 2788
Fax. 62 31 546 1157

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- Daiwa Capital Markets Australia Limited
- Daiwa Capital Markets India Private Limited
- Daiwa-Cathay Capital Markets Co., Ltd.
- Daiwa Securities Capital Markets Korea Co., Ltd

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