

Ciputra Development Tbk (CTRA)

Rosier Optimism

4Q17 Slight Margin Performance

CTRA underperformed in 2017. Of note, its revenue declined by 4.40% y-y into IDR6.4 trillion underlined by the decline of 7.6% y-y in the performance of the property development segment coupled with the downturn of 4.19% y-y into IDR894 billion in 2017 net profit. However, **it posted the 4Q17 better margin performance compared to the 3Q17 margin performance.**

Optimism for 2018 Rosier Performance

CTRA succeeded in posting the hike of 33% y-y into IDR1.614 trillion in the 1Q18 marketing sales. The figures were **the highest compared to the respective marketing sales in 1Q16 and 1Q17** and reached 21% from the 2018 marketing sales target of IDR7.7 trillion. Of note, the 1Q18 marketing sales **was still dominated by the units sales with the selling prices lower than IDR1 billion** with the portion of 37%.

Indeed, CTRA is likely a way more aggressive in 2H18 by launching a number of projects: apartments in Cawang and Pulo Gadung, and superblock in Bandung. Along with the improvement in the 1Q18 performance and the revenue realization of marketing sales obtained in prior years, we oversee that **it likely accomplishes the minimum revenue growth target of 20% in 2018.**

Target Price of IDR1,370

We use an estimated discount to RNAV of 65.0% (the last 3-year average) as the basis of valuation method. Now, CTRA is traded at a 2018/F of the discount to RNAV of 70%.

Ciputra Development Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Revenue	6,739	6,443	8,277	7,101
<i>Revenue growth</i>	-10.3%	-4.4%	28.5%	-14.2%
EBITDA	2,097	1,725	2,928	2,253
Net profit	933	894	1,521	1,035
EPS (IDR)	61	48	82	56
<i>EPS growth</i>	-27.3%	-4.2%	70.0%	-31.9%
BVPS (IDR)	927	832	931	990
EBITDA margin	31.1%	26.8%	35.4%	31.7%
Net Profit Margin	13.9%	13.9%	18.4%	14.6%
ROE	6.8%	6.0%	9.3%	5.8%
ROA	3.4%	2.9%	4.5%	2.9%
ROIC	8.4%	5.8%	8.5%	6.0%
P/E	22.1x	24.6x	14.1x	20.7x
P/BV	1.4x	1.4x	1.2x	1.2x
EV/EBITDA	15.4x	18.3x	11.1x	14.7x
DPS (IDR)	5.7	4.9	8.0	5.4
<i>Dividend yield</i>	0.4%	0.4%	0.7%	0.5%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Buy

Dec 2018 TP (IDR)	1,370
Consensus Price (IDR)	1,449
TP to Consensus Price	-5.4%
vs. Last Price	+18.6%

Shares data

Last Price (IDR)	1,155
Price date as of	Apr 25, 2018
52 wk range (Hi/Lo)	1,380 / 1,020
Free float	49.0%
Outstanding sh.(mn)	18,560
Market Cap (IDR bn)	23,015
Market Cap (USD mn)	1,518
Avg. Trd Vol - 3M (mn)	15.71
Avg. Trd Val - 3M (bn)	20.05
Foreign Ownership	24.9%

Property

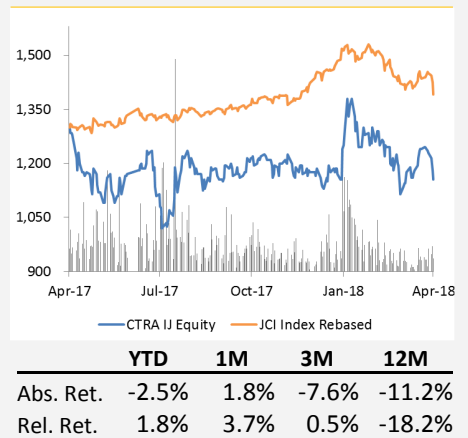
Real Estate Owner & Developer

Bloomberg	CTRA.IJ
Reuters	CTRA.JK

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Share Price Performance



A Glance at CTRA

CTRA is one of real-estate developers in Indonesia with the most diversified project portfolios, such as residences, apartments, shopping malls, golf courses, hospitals, and offices. It embarked on its business in 1981 through the development of CitraGarden City Jakarta. Now, it has developed 75 projects situated in 33 cities across Indonesia.

Although most of its developed projects target the middle-income individuals, it has projects, namely Citra Maja Raya targeting the low-income individuals and Ciputra World targeting the high-income individuals. In fact, it has direct ownership landbank of 1.410 hectares and joint-operation scheme landbank of 5.063 hectares.

Indonesia's Real Estate Development Industry in ASEAN

Indonesia is a country with the largest area of land and the biggest population in ASEAN. Such qualities recognize Indonesia as the preferred location for the real-estate development business. Indonesia's real-estate developers have a larger number of landbank than its ASEAN's peers do. For instance, BKSJ and BSDE respectively have the landbank of 14,666 hectares and 3,966 hectares.

Indonesia and Philippines' real estate sector are the most competitive amongst their peers in ASEAN. The property developers in those two countries post better gross margins yet lower total asset than their peers do.

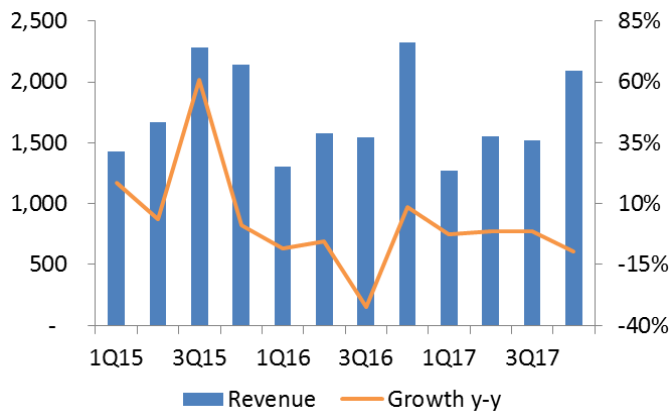
ASEAN Property Developer

Company	Market Cap (USD mn)	Total Asset (USD mn)	Sales Growth	Gross Margin	Operating Margin	Net Profit Growth	ROE	P/E	Dividend Yield
BSDE	2,494	3,382	56.71%	73.4%	48.9%	173.9%	21.4%	7.0x	0.3%
PWON	1,535	2,333	-4.40%	47%	25.2%	-12.4%	6.9%	23.8x	0.4%
CTRA	2,034	1,719	18.10%	59%	48.9%	12.1%	19.7%	15.2x	0.8%
SMRA	981	1,594	4.50%	46%	23.8%	16.2%	5.7%	37.8x	0.5%
Singapore									
Capitaland Ltd	11,864	45,972	-12.23%	40%	47%	30.3%	8.6%	10.3x	2.7%
Malaysia									
SP Setia Bhd	2,972	6,826	-20.86%	33%	22%	-9.8%	8.8%	12.8x	5.1%
IOI Properties Group Bhd	2,139	7,823	38.36%	44%	32%	-27.7%	4.7%	10.2x	3.9%
Thailand									
Land & Houses PUB Co Ltd	4,131	3,362	16.76%	34%	30%	21.4%	21.6%	12.5x	6.4%
WHA Corp Ltd	1,763	2,260	-46.72%	47%	39%	12.7%	14.0%	17.5x	5.2%
Philippines									
Megaworld Corp	2,622	6,212	8.65%	62%	41%	12.7%	9.3%	10.7x	1.3%

Source: Bloomberg, NHKS research

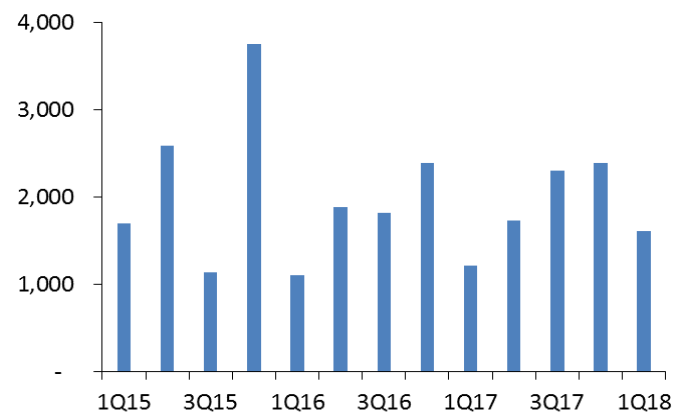
Operational Performance

Quarterly Revenue (IDR bn) | 1Q15 - 4Q17



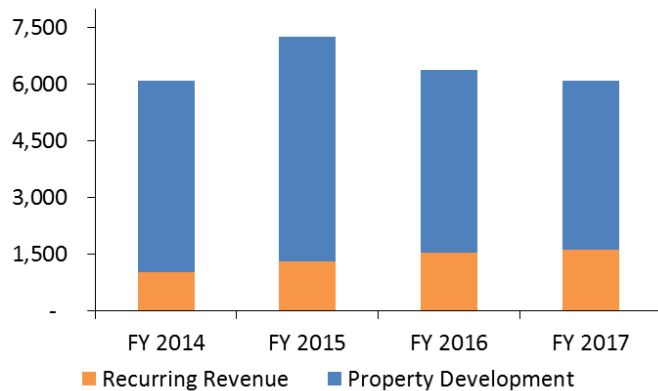
Source: Company, Bloomberg, NHKS research

Marketing Sales (IDR bn) | 1Q15 - 1Q18



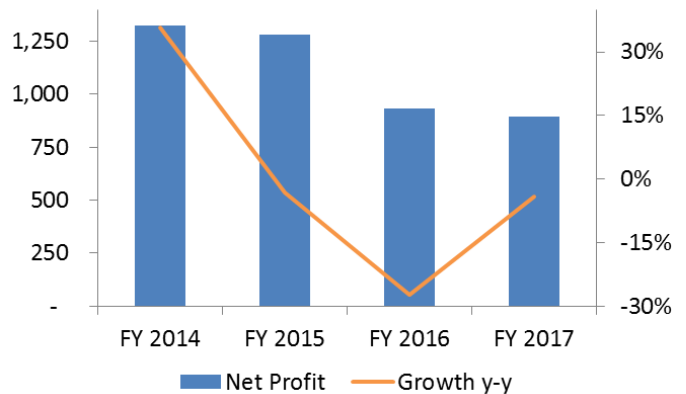
Source: Company, NHKS research

Annual Revenue | 2014 - 2017



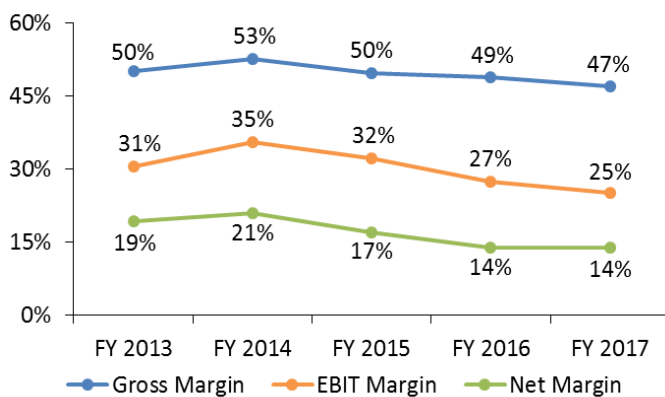
Source: Company, Bloomberg, NHKS research

Annual Net Profit | 2014 - 2017



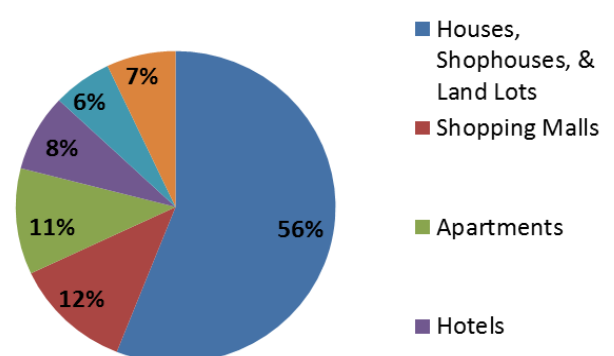
Source: Company, Bloomberg, NHKS research

Gross, EBIT & Net Margin | 2013 - 2017



Source: Company, Bloomberg, NHKS research

Revenue Breakdown | 4Q17



Source: Company, NHKS research

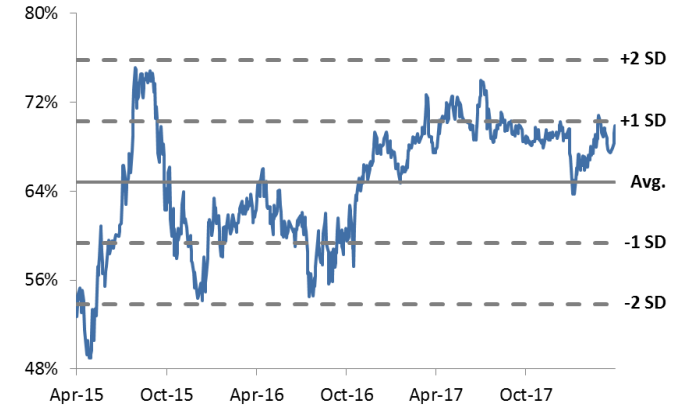
Multiple Valuation

Forward P/E band | Last 3 years



Source: NHKS research

Discount to NAV band | Last 3 years



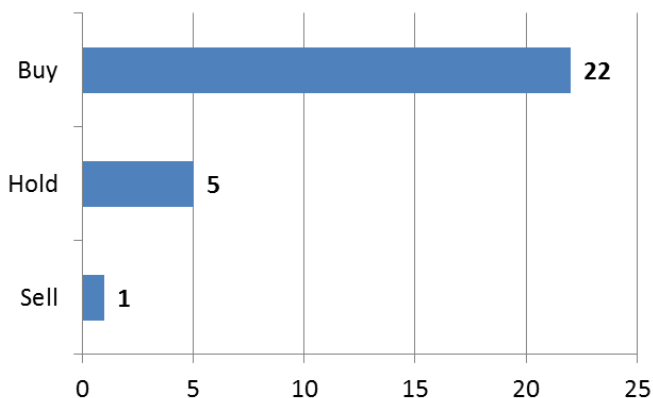
Source: NHKS research

Rating and target price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
04/25/2018	Buy	1,370	1,155	1,449	+18.6%	-5.4%

Source: Bloomberg, NHKS research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price



Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

- Period: End of year target price
- Rating system based on a stock's absolute return from the date of publication
 - Buy : Greater than +15%
 - Hold : -15% to +15%
 - Sell : Less than -15%

Summary of Financials

CTRA Summary		
Last Price (IDR)	April 25, 2018	1,155
Target Price (IDR)	Dec 2018	1,370
Analyst: Michael Tjahjadi	Rating:	Buy

INCOME STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Revenue	6,739	6,443	8,277	7,101
Growth (% y/y)	-10.3%	-4.4%	28.5%	-14.2%
COGS	(3,454)	(3,423)	(4,199)	(3,638)
Gross Profit	3,285	3,019	4,078	3,463
Gross Margin	48.7%	46.9%	49.3%	48.8%
Operating Expenses	(1,435)	(1,397)	(1,448)	(1,540)
EBIT	1,850	1,623	2,630	1,924
EBIT Margin	27.5%	25.2%	31.8%	27.1%
Depreciation	246	103	298	329
EBITDA	2,097	1,725	2,928	2,253
EBITDA Margin	31.1%	26.8%	35.4%	31.7%
Interest Expenses	(566)	(551)	(625)	(701)
EBT	1,501	1,298	2,277	1,457
Income Tax	(155)	(279)	(490)	(259)
Minority Interest	(237)	(124)	(266)	(162)
Net Profit	933	894	1,521	1,035
Growth (% y/y)	-27.3%	-4.2%	70.0%	-31.9%
Net Profit Margin	13.9%	13.9%	18.4%	14.6%

BALANCE SHEET

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	3,468	3,229	3,817	3,046
Receivables	938	958	1,687	1,302
Inventories	7,945	9,480	10,297	10,832
Total Current Assets	13,711	15,167	17,442	16,962
Net Fixed Assets	12,743	13,756	15,114	16,559
Other Non Current Assets	2,619	2,783	2,947	3,030
Total Assets	29,072	31,706	35,503	36,551
Payables	829	839	864	901
ST Debt	1,686	1,170	1,525	1,734
Other Current Liab.	4,796	5,774	6,729	6,274
LT Debt	4,976	6,388	6,945	7,159
Other Non Current Liab.	2,487	2,085	2,156	2,107
Total Liabilities	14,774	16,255	18,218	18,175
Shareholders' Equity	14,298	15,451	17,285	18,375

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	933	894	1,521	1,035
Deprec & Amortization	246	103	298	329
Chg. In Working Capital	(1,139)	(525)	(708)	(708)
CF	41	472	1,110	657
Capex	(347)	(1,381)	(1,655)	(1,775)
CFI	(1,053)	(1,761)	(1,749)	(1,907)
Dividends Paid	(123)	(176)	(92)	(148)
Net Borrowing (PMT)	1,384	872	912	424
CCF	1,446	1,050	1,226	479
Net Changes in Cash	433	(238)	588	(771)

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	75.1	PT Sang Pelopor 44.8
United States	12.2	PT Apratima Sejahtera 6.2
Norway	4.4	Norges Bank 3.0
Luxembourg	3.9	Vanguard Group 2.8

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	6.8%	6.0%	9.3%	5.8%
ROA	3.4%	2.9%	4.5%	2.9%
ROIC	8.4%	5.8%	8.5%	6.0%
EBITDA/Equity	15.3%	11.6%	17.9%	12.6%
EBITDA/Assets	7.6%	5.7%	8.7%	6.3%
Cash Dividend (IDR bn)	88	92	148	101
Dividend Yield (%)	0.4%	0.4%	0.7%	0.5%
Payout Ratio (%)	9.4%	10.2%	9.7%	9.7%
DER	47%	49%	49%	48%
Net Gearing	81%	77%	75%	73%
LT Debt to Equity	35%	41%	40%	39%
Capitalization Ratio	32%	33%	33%	33%
Equity Ratio	49%	49%	49%	50%
Debt Ratio	23%	24%	24%	24%
Financial Leverage	202%	204%	205%	202%
Current Ratio	188%	195%	191%	190%
Quick Ratio	60%	54%	60%	49%
Cash Ratio	47%	41%	42%	34%
Cash Conversion Cycle	747.2	893.7	843.9	1,048.3
Par Value (IDR)	250	250	250	250
Total Shares (mn)	15,425	18,560	18,560	18,560
Share Price (IDR)	1,335	1,185	1,155	1,155
Market Cap (IDR tn)	20.6	22.0	21.4	21.4

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	22.1x	24.6x	14.1x	20.7x
Price /Book Value	1.4x	1.4x	1.2x	1.2x
Price/Revenue	3.1x	3.4x	2.6x	3.0x
PE/EPS Growth	-0.8x	-5.9x	0.2x	-0.6x
EV/EBITDA	15.4x	18.3x	11.1x	14.7x
EV/EBIT	17.5x	19.5x	12.3x	17.2x
EV (IDR bn)	32,375	31,625	32,386	33,013
Sales CAGR (3-Yr)	9.9%	0.5%	3.3%	1.8%
EPS CAGR (3-Yr)	-1.5%	-12.3%	5.8%	3.5%
Basic EPS (IDR)	61	48	82	56
Diluted EPS (IDR)	61	48	82	56
BVPS (IDR)	927	832	931	990
Revenue PS (IDR)	437	347	446	383
DPS (IDR)	6	5	8	5

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	1,659	1,273	2,064	1,581
+Depr./Amor.	246	103	298	329
-CAPEX	(347)	(1,381)	(1,655)	(1,775)
-Incr. (Decr.) in Working Cap.	(1,139)	(525)	(708)	(708)
(Unlevered) FCFF	419	(530)	(2)	(573)
WACC				
Cost of Debt (Tax Adj.)	8.3%	7.0%	7.3%	7.8%
Cost of Equity (COE)	10.5%	9.2%	9.1%	9.5%
WACC (%)	10.0%	8.6%	8.6%	9.0%
RIM				
Spread (FROE-COE) (%)	-3.4%	-3.0%	0.8%	-3.5%
Residual Income (IDR bn)	(441)	(423)	121	(609)
Equity Charge (IDR bn)	1,374	1,318	1,400	1,644
EVA				
Invested Capital (IDR bn)	18,328	20,960	23,009	25,755
ROIC-WACC (%)	-0.9%	-2.6%	0.4%	-2.9%
EVA (IDR bn)	(170)	(538)	96	(742)

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