Ciputra Development Tbk
(CTRA)
Up–to–End–Year–Rosier Performance

Company Report | Jul 06, 2018

Favorable Performance
The growth in the property development segment — residences and shop houses, as well as offices — boosted 1Q18 sales to IDR1.36 trillion (+6.8% y-y). The towering COGS attributable to the change in product mix stunted 1Q18 gross margin performance. Nevertheless, the tumble of 42.1% y-y in 1Q18 profit to IDR125 billion was **most likely attributable to the revenue recognition of asset divestment in 1Q17**.

On the other hand, **1Q18 marketing sales surged further until May**, the all–time high as of early 2018. Projects worth lower than IDR2 billion per unit dominated the marketing sales realization.

2H18 Likely Rosier Performance
We project that CTRA's 2H18 performance is likely rosier. The revenue recognition of prior sales and **larger numbers of newly launched projects than 1H18 projects are potent drivers for 2H18 rosier performance**. Indeed, it adds a residential project to be launched in the end of 2018 in Sentul into its pipeline. Other than the two potent drivers, Bank Indonesia (BI) policy of loan-to-value (LTV) is likely a positive takeaway for CTRA's soaring sales performance. Of note, end-user dominates its type of consumers.

Target Price of IDR1,130
We apply an estimate of a discount to RNAV of 71.0% (1SD higher than the last 3-year average) as the basis of valuation method. CTRA's stocks are currently traded at a discount to RNAF 2018F of 75%.

Ciputra Development Tbk | Summary (IDR bn)

	2016/12A	2017/12A	2018/12E	2019/12E
Revenues	6,739	6,443	7,802	7,418
Revenues growth	*-10.3%*	*-4.4%*	*21.1%*	*-4.9%*
EBITDA	2,097	1,725	2,591	2,433
Net profit	933	894	1,310	1,233
EPS (IDR)	61	48	71	66
EPS growth	*-27.3%*	*-4.2%*	*46.5%*	*-5.8%*
BVPS (IDR)	927	832	905	972
EBITDA margin	*31.1%*	*26.8%*	*33.2%*	*32.8%*
Net Profit Margin	*13.9%*	*13.9%*	*16.8%*	*16.6%*
ROE	*6.8%*	*6.0%*	*8.1%*	*7.1%*
ROA	*3.4%*	*2.9%*	*4.1%*	*3.8%*
ROIC	*8.4%*	*5.8%*	*7.8%*	*6.8%*
P/E	22.1x	24.6x	13.4x	14.2x
P/BV	1.4x	1.4x	1.0x	1.0x
EV/EBITDA	15.4x	18.3x	10.4x	11.1x
DPS (IDR)	5.7	9.5	10.3	9.7
Dividend yield	*0.4%*	*0.8%*	*1.1%*	*1.0%*

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Buy

Dec 2018 TP (IDR)	**1,130**
Consensus Price (IDR)	1,423
TP to Consensus Price	-20.6%
vs. Last Price	+19.6%

Shares data

Last Price (IDR)	945
Price date as of	Jul 05, 2018
52 wk range (Hi/Lo)	1,380 / 880
Free float	53.0%
Outstanding sh.(mn)	18,560
Market Cap (IDR bn)	17,447
Market Cap (USD mn)	1,210
Avg. Trd Vol - 3M (mn)	18.12
Avg. Trd Val - 3M (bn)	19.05
Foreign Ownership	25.8%

Property

Real Estate Owner & Developer

Bloomberg	**CTRA.IJ**
Reuters	**CTRA.JK**

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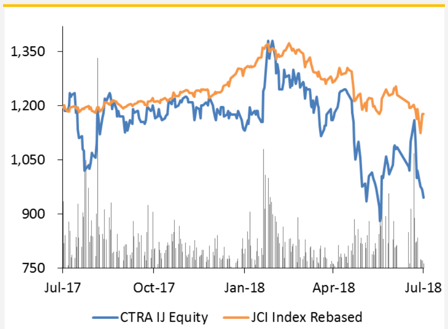
Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-20.3%	-12.9%	-19.2%	-20.9%
Rel. Ret.	-10.6%	-7.2%	-12.1%	-19.4%

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 successfully developed 75 projects situated in 33 cities across Indonesia.

Despite its mostly-developed projects targeting middle–income individuals, two of its projects, namely Citra Maja Raya and Ciputra World respectively target low–income individuals and high–income individuals. Of note, it has direct–ownership landbank of 1,411 hectares and joint–operation–scheme landbank of 5,063 hectares.

Indonesia–Based–Real–Estate Development Sector in ASEAN

Indonesia — a country with the largest area of land and the most populous nation in ASEAN — proves a boon to the real–estate–development business. Indonesia's real–estate developers have a larger amount of landbank than its ASEAN's peers do. For instance, BKSL and BSDE have the landbank of 14,666 hectares and 3,966 hectares, respectively.

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.

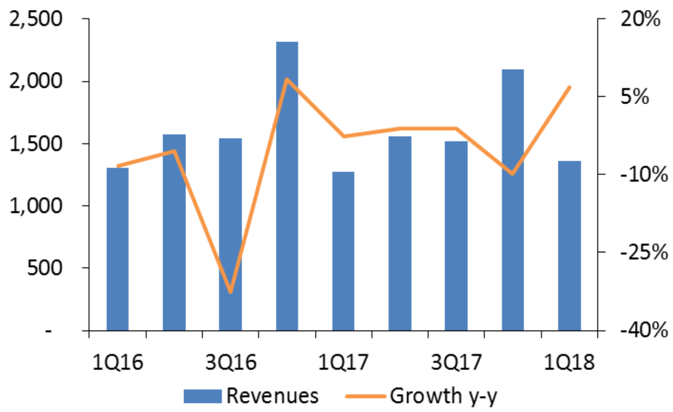
ASEAN Property Developer

Company	Market Cap (USD mn)	Total Asset (USD mn)	Sales Growth	Gross Margin	Operating Margin	Net Profit Growth	ROE	P/E	Dividend Yield
BSDE	1,936	3,382	56.71%	73.4%	48.9%	102.4%	19.5%	6.0x	0.3%
CTRA	1,210	2,333	-4.40%	47%	25.2%	-23.2%	6.1%	21.6x	1.5%
PWON	1,821	1,719	18.10%	59%	48.9%	41.5%	21.0%	12.6x	1.1%
SMRA	831	1,594	4.50%	46%	23.8%	-6.5%	5.2%	35.9x	0.6%
Singapore									
Capitaland Ltd	9,255	45,972	-12.23%	40%	47%	8.7%	8.1%	8.7x	4.0%
Malaysia									
SP Setia Bhd	2,856	6,826	-20.86%	33%	22%	-13.6%	7.5%	13.8x	5.2%
IOI Properties Group Bhd	2,178	7,823	38.36%	44%	32%	-12.2%	4.8%	10.5x	3.7%
Thailand									
Land & Houses PUB Co Ltd	4,133	3,362	16.76%	34%	30%	32.9%	21.6%	12.3x	6.5%
WHA Corp Ltd	1,603	2,260	-46.72%	47%	39%	38.7%	16.7%	13.8x	3.8%
Philippines									
Megaworld Corp	2,648	6,212	8.65%	62%	41%	12.6%	9.4%	10.8x	1.4%

Source: Bloomberg, NHKS research

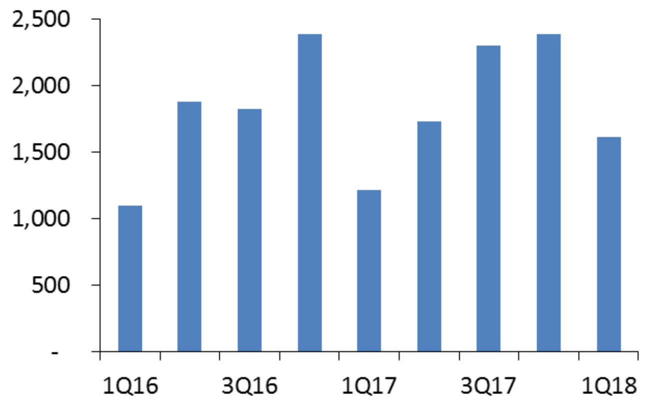
Operational Performance

Quarterly Revenue (IDR bn) | 1Q16 - 1Q18



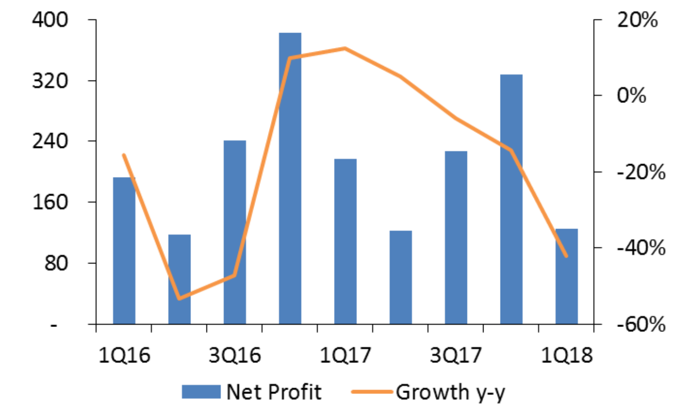
Source: Company, Bloomberg, NHKS research

Marketing Sales (IDR bn) | 1Q16 - 1Q18



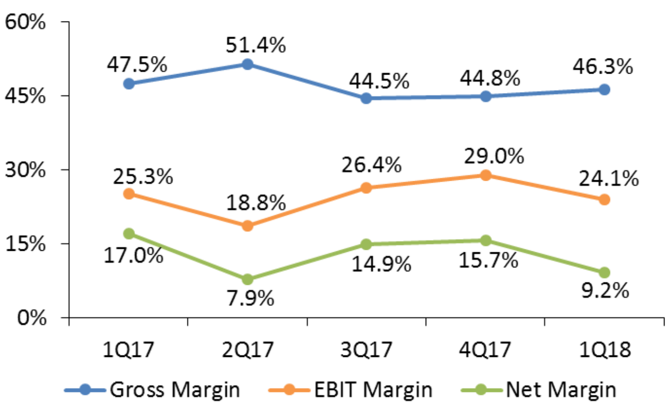
Source: Company, NHKS research

Quarterly Net Profit (IDR bn) | 1Q16 - 1Q18



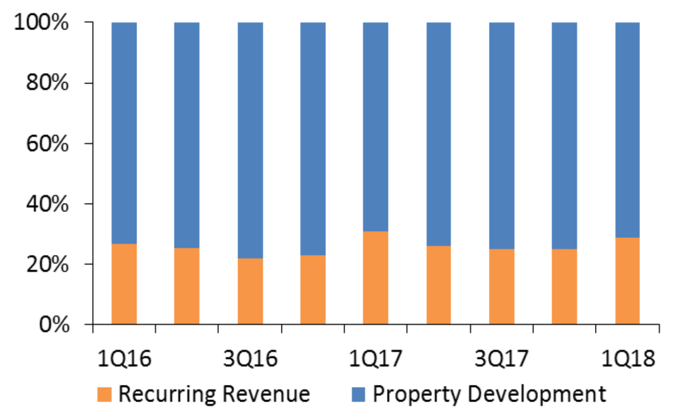
Source: Company, Bloomberg, NHKS research

Margin Ratios | 1Q17 - 1Q18



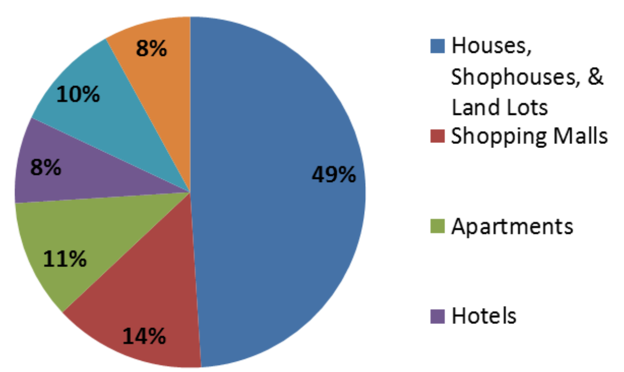
Source: Company, Bloomberg, NHKS research

Revenue by Segment | 1Q16 - 1Q18



Source: Company, Bloomberg, NHKS research

Revenue Breakdown | 1Q18



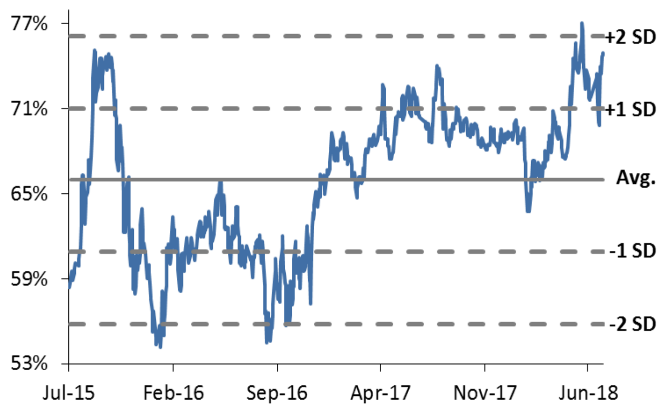
Source: Company, NHKS research

Multiple Valuation

Forward P/E band | Last 3 years

Source: NHKS research

Discount to NAV band | Last 3 years



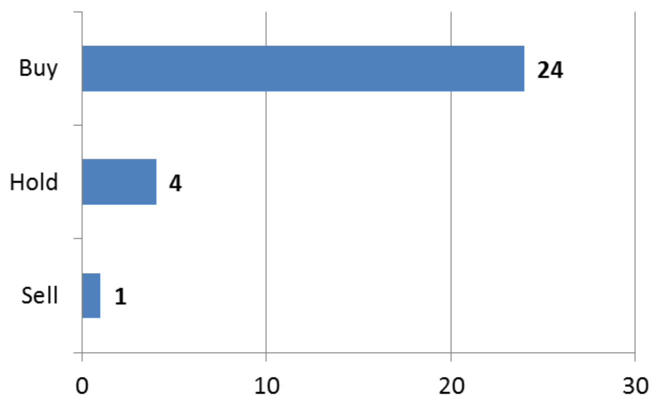
Source: NHKS research

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%
07/05/2018	Buy	1,130	945	1,423	+19.6%	-20.6%

Source: Bloomberg, NHKS research

Analyst Coverage Rating



Source: Bloomberg

Closing and Target Price

Source: NHKS research

NH Korindo Sekuritas Indonesia (NHKS) stock ratings

1. Period: End of year target price
2. 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)	July 5, 2018	945
Target Price (IDR)	Dec 2018	1,130
Analyst: Michael Tjahjadi	Rating:	Buy

INCOME STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Revenues	**6,739**	**6,443**	**7,802**	**7,418**
Growth (% y/y)	*-10.3%*	*-4.4%*	*21.1%*	*-4.9%*
COGS	(3,454)	(3,423)	(4,034)	(3,827)
Gross Profit	**3,285**	**3,019**	**3,768**	**3,591**
Gross Margin	*48.7%*	*46.9%*	*48.3%*	*48.4%*
Operating Expenses	(1,435)	(1,397)	(1,422)	(1,480)
EBIT	**1,850**	**1,623**	**2,347**	**2,111**
EBIT Margin	*27.5%*	*25.2%*	*30.1%*	*28.5%*
Depreciation	246	103	244	322
EBITDA	**2,097**	**1,725**	**2,591**	**2,433**
EBITDA Margin	*31.1%*	*26.8%*	*33.2%*	*32.8%*
Interest Expenses	(566)	(551)	(581)	(534)
EBT	**1,501**	**1,298**	**1,984**	**1,812**
Income Tax	(155)	(279)	(433)	(380)
Minority Interest	(237)	(124)	(241)	(199)
Net Profit	**933**	**894**	**1,310**	**1,233**
Growth (% y/y)	*-27.3%*	*-4.2%*	*46.5%*	*-5.8%*
Net Profit Margin	*13.9%*	*13.9%*	*16.8%*	*16.6%*

PROFITABILITY & STABILITY

	2016/12A	2017/12A	2018/12E	2019/12E
ROE	6.8%	6.0%	8.1%	7.1%
ROA	3.4%	2.9%	4.1%	3.8%
ROIC	8.4%	5.8%	7.8%	6.8%
EBITDA/Equity	15.3%	11.6%	16.1%	14.0%
EBITDA/Assets	7.6%	5.7%	8.1%	7.4%
Cash Dividend (IDR bn)	88	176	191	180
Dividend Yield (%)	0.4%	0.8%	1.1%	1.0%
Payout Ratio (%)	9.4%	19.7%	14.6%	14.6%
DER	47%	49%	43%	39%
Net Gearing	81%	77%	66%	59%
LT Debt to Equity	35%	41%	36%	33%
Capitalization Ratio	32%	33%	30%	28%
Equity Ratio	49%	49%	52%	54%
Debt Ratio	23%	24%	22%	21%
Financial Leverage	202%	204%	199%	189%
Current Ratio	188%	195%	197%	202%
Quick Ratio	60%	54%	45%	41%
Cash Ratio	47%	41%	33%	28%
Cash Conversion Cycle	747.2	893.7	835.3	905.0
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	945	945
Market Cap (IDR tn)	20.6	22.0	17.5	17.5

BALANCE SHEET

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Cash	3,468	3,229	2,460	1,996
Receivables	938	958	910	933
Inventories	7,945	9,480	9,816	10,068
Total Current Assets	**13,711**	**15,167**	**14,690**	**14,506**
Net Fixed Assets	12,743	13,756	14,963	15,918
Other Non Current Assets	2,619	2,783	2,797	2,849
Total Assets	**29,072**	**31,706**	**32,450**	**33,273**
Payables	829	839	960	896
ST Debt	1,686	1,170	1,083	1,090
Other Current Liab.	4,796	5,774	5,396	5,189
LT Debt	4,976	6,388	6,117	5,947
Other Non Current Liab.	2,487	2,085	2,099	2,110
Total Liabilities	**14,774**	**16,255**	**15,655**	**15,231**
Shareholders' Equity	**14,298**	**15,451**	**16,796**	**18,041**

VALUATION INDEX

	2016/12A	2017/12A	2018/12E	2019/12E
Price /Earnings	22.1x	24.6x	13.4x	14.2x
Price /Book Value	1.4x	1.4x	1.0x	1.0x
Price/Revenue	3.1x	3.4x	2.2x	2.4x
PE/EPS Growth	-0.8x	-5.9x	0.3x	-2.4x
EV/EBITDA	15.4x	18.3x	10.4x	11.1x
EV/EBIT	17.5x	19.5x	11.5x	12.8x
EV (IDR bn)	32,375	31,625	27,043	27,082
Sales CAGR (3-Yr)	9.9%	0.5%	1.3%	3.3%
EPS CAGR (3-Yr)	-1.5%	-12.3%	0.7%	9.7%
Basic EPS (IDR)	61	48	71	66
Diluted EPS (IDR)	61	48	71	66
BVPS (IDR)	927	832	905	972
Revenue PS (IDR)	437	347	420	400
DPS (IDR)	6	9	10	10

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12A	2018/12E	2019/12E
Net Income	933	894	1,310	1,233
Deprec & Amortization	246	103	314	322
Chg. In Working Capital	(1,139)	(525)	(550)	(550)
CFO	**41**	**472**	**1,075**	**1,006**
Capex	(347)	(1,381)	(1,521)	(1,278)
CFI	**(1,053)**	**(1,761)**	**(1,521)**	**(1,318)**
Dividends Paid	(123)	(176)	(176)	(191)
Net Borrowing (PMT)	1,384	872	(358)	(163)
CFF	**1,446**	**1,050**	**(323)**	**(151)**
Net Changes in Cash	**433**	**(238)**	**(770)**	**(464)**

DCF, RIM & EVA

	2016/12A	2017/12A	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	1,659	1,273	1,835	1,668
+Depr./Amor.	246	103	314	322
-CAPEX	(347)	(1,381)	(1,521)	(1,278)
-Incr. (Decr.) in Working Cap.	(1,139)	(525)	(550)	(550)
(Unlevered) FCFF	419	(530)	79	163
WACC				
Cost of Debt (Tax Adj.)	8.3%	6.7%	8.3%	7.6%
Cost of Equity (COE)	10.5%	9.9%	11.0%	11.0%
WACC (%)	10.0%	9.1%	10.2%	10.0%
RIM				
Spread (FROE-COE) (%)	-3.4%	-3.6%	-2.5%	-3.7%
Residual Income (IDR bn)	(441)	(519)	(384)	(615)
Equity Charge (IDR bn)	1,374	1,413	1,694	1,848
EVA				
Invested Capital (IDR bn)	18,328	20,960	23,009	23,995
ROIC-WACC (%)	-0.9%	-3.0%	-2.2%	-3.1%
EVA (IDR bn)	(170)	(625)	(507)	(741)

OWNERSHIP

By Geography	%	Shareholders	%
Indonesia	74.2	PT Sang Pelopor	47.0
United States	12.4	Norges Bank	3.0
Norway	4.7	Vanguard Group Inc	2.9
Luxembourg	4.1	Dimensional Fund	2.4