

Ciputra Development Tbk (CTRA IJ)

1Q20: Low Income and Margin Suppressed Profit

CTRA's development and recurring income weakened by 11% and 2%, respectively, making CTRA revenue in 1Q20 declined by 8.3% YoY. In addition, low margins due to increased operational expenses also pushed CTRA's profit to IDR178 billion or a 37.3% YoY decline. On the other hand, CTRA's marketing sales grew 2.3% to IDR1.14 trillion supported by online launching method. We estimate CTRA's FY20 revenue will increase by 12%-14% when the pandemic slows down. We recommend a BUY rating with TP of IDR810.

Two Segments of Revenue Still Depressed

CTRA opened 1Q20 by recording a revenue of IDR1.51 trillion or a decline of 8.3% YoY (vs IDR1.67 trillion 1Q19). Development income which contributed 72% of total revenue also declined by 11% YoY to IDR1.01 trillion with apartment segment being the main lagger (-89.4%). On the other hand, recurring income which contributed 28% to total revenue posted of IDR397 billion also declined by 2% YoY obtained by hotel rental revenue (-10.9%).

Margin Ratios Dropped

CTRA's net profit recorded at IDR178 billion or a 37.7% YoY decline (vs IDR283 billion 1Q19). In addition to revenue, decline in margins also pressured profit growth. GPM, Operating Margin and NPM decreased on each amount of 500bps to 46.9%, 640bps to 25.6% and 540bps to 11.8% caused by increased of COGS, general expenses, and selling expenses. We believe that the company's performance in 2020 will continue to rely on the sale of low to middle class landed-house at prices below IDR2 billion, while sale or rental of apartments will still be depressed more or less until third quarter due to the pandemic and the decline in purchasing power.

New Online Launching Strategy, Marketing Sales 1Q20 Grew

CTRA succeeded to achieve increase in marketing sales 1Q20 of IDR1.14 trillion (+2.3% YoY vs IDR1.1 trillion 1Q19). New clusters launched from 3 (three) existing projects that contributes 19% marketing sales 1Q20 of IDR211 billion. Moreover, in the midst of the Covid-19 outbreak which began to plague at the end of March, CTRA successfully developed new method of online launching that help increase marketing sales. Throughout 2020, CTRA set a marketing sales target of IDR6.7 trillion or 1.2% higher than our estimate of IDR6.06 trillion.

Rating BUY with TP IDR810

In 2020 we predict a difficult time for the property sector due to the outbreak of Covid-19. However, with the end of the PSBB period per quarter-II and the implementation of new normal, we believe that the re-opening economy will help recover purchasing power. We maintain BUY recommendation for CTRA with TP of IDR810 based on an 87% discount to NAV (1 SD higher than the last 3-year average) as the basis of our valuation method. We estimate in quarter-II there will be a decline in CTRA's performance due to strict implementation of PSBB. In the next quarter, the launching of ongoing projects can potentially stimulate CTRA's performance growth in FY20.

Ciputra Development Tbk | Summary

	2019A	2020F	2021F	2022F
Revenue	7,608	6,695	7,218	7,635
Growth (%)	-0.8%	-12.0%	7.8%	5.8%
EBITDA	2,500	2,191	2,391	2,479
Net Profit	1,158	961	1,026	1,069
EPS (IDR)	62	52	55	58
Growth (%)	-2.3%	-17.0%	6.8%	4.2%
P/E	16.7x	28.8x	27.0x	25.9x
P/BV	1.1x	1.6x	1.5x	1.4x
EV/EBITDA	9.7x	15.0x	13.8x	13.3x
ROE (%)	6.7%	5.4%	5.7%	5.6%
DER (%)	51.7%	56.0%	56.0%	58.5%
Net Debt	5,212	4,938	5,273	5,273

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Update | June 05, 2020

Buy

Dec. 2020 TP (IDR)	810
Consensus Price (IDR)	871
TP to Consensus Price	-7.0%
vs. Last Price	+21.8%

Shares data

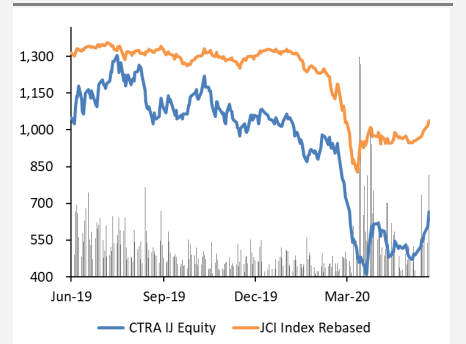
Last Price (IDR)	665
Price Date as of	June 3, 2020
52 wk Range (Hi/Lo)	1,350/412
Free Float (%)	47.1
Outstanding sh. (mn)	18,560
Market Cap. (IDR bn)	11,229
Market Cap. (USD mn)	781
Avg. Trd Vol - 3M (mn)	42.42
Avg. Trd Val - 3M (bn)	22.81
Foreign Ownership	20.1%

Property

Real Estate Owner & Developer

Bloomberg	CTRA IJ
Reuters	CTRA.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-34.5%	29.1%	-29.6%	-36.4%
Rel. Ret.	-19.6%	21.8%	-17.1%	-14.9%

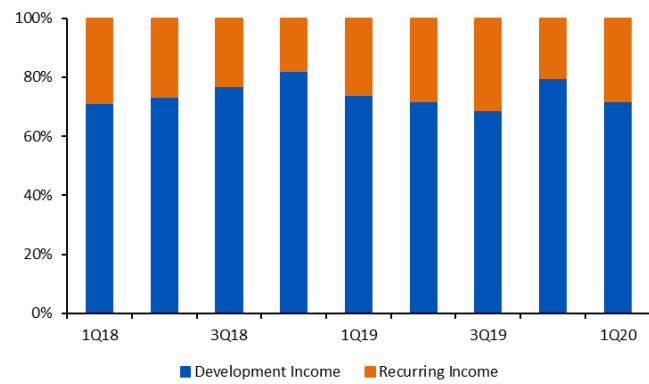
Ajeng Kartika Hapsari

(021) 5088 9130

ajeng@nhsec.co.id

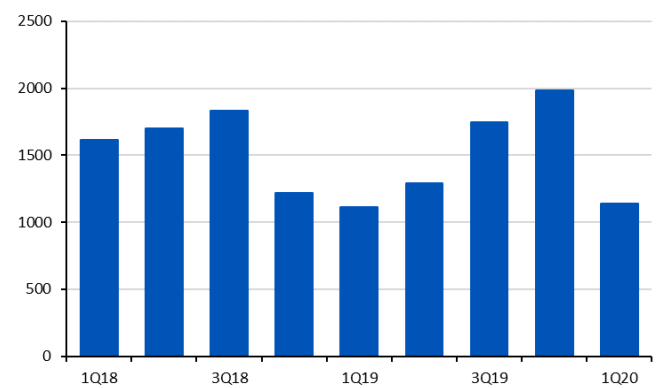
Performance Highlights in Charts

CTRA Quarterly Income as per Segment (IDR bn) | 1Q18 - 1Q20



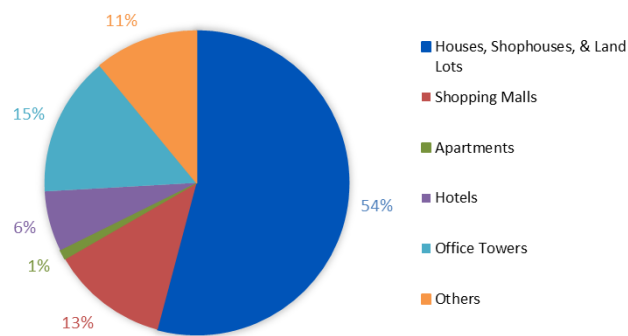
Source: Company Data, NHKSI Research

CTRA Quarterly Marketing Sales | 1Q18 - 1Q20



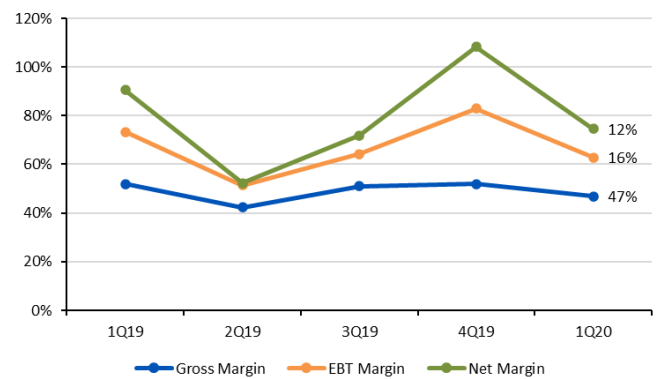
Source: Company Data, NHKSI Research

3M20's Revenue Breakdown



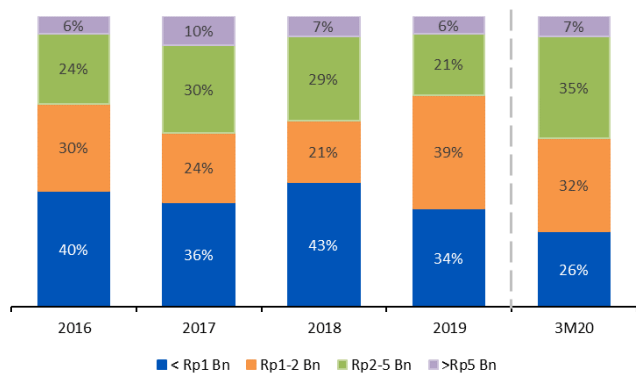
Source: Company Data, NHKSI Research

Margin Ratio



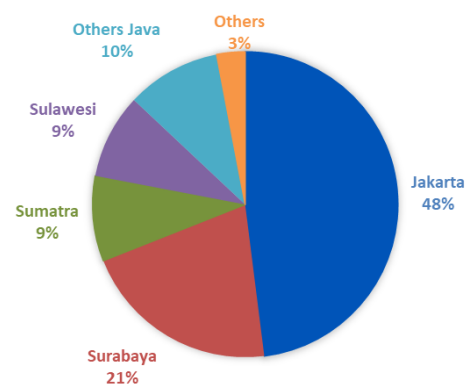
Source: Company Data, NHKSI Research

Pre Sales per Unit Price



Source: Company Data, NHKSI Research

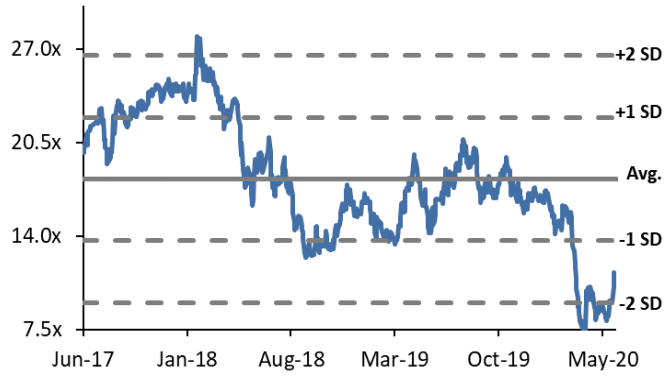
Pre Sales per Location



Source: Company Data, NHKSI Research

Valuation Highlights in Charts

3-Year Forward P/E Band



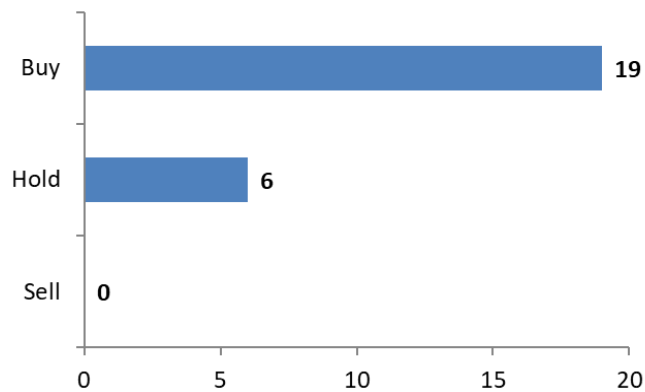
Source: Bloomberg, NHKSI Research

3-Year Discount to NAV Band



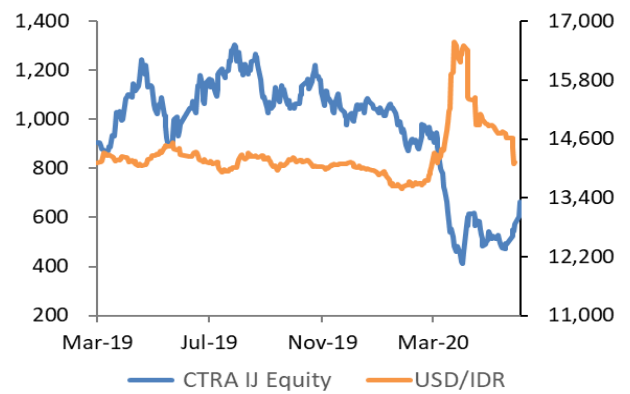
Source: Bloomberg, NHKSI Research

Analysts' Recommendation



Source: Bloomberg, NHKSI Research

Correlation between CTRA and USD/IDR



Source: Bloomberg, NHKSI Research

Quarterly Review

	1Q19	2Q19	3Q19	4Q19	1Q20				2Q20E
					Actual	Estimate	Y-Y	Q-Q	
Income statement									
Revenue	1,647	1,499	1,510	2,953	1,510		-8.3%	-48.9%	1,264
Gross Profit	854	635	769	1,534	708		-17.1%	-53.8%	617
EBIT	527	295	360	1,058	386		-26.8%	-63.5%	260
EBITDA	559	378	433	1,129	462		-17.4%	-59.1%	340
Net Profit	283	13	113	749	178		-37.3%	-76.3%	8
Margin (%)									
Gross Margin	51.9%	42.4%	50.9%	51.9%	46.9%		-5.0%	-5.0%	48.8%
EBIT Margin	32.0%	19.7%	23.9%	35.8%	25.6%		-6.4%	-10.2%	20.6%
EBITDA Margin	34.0%	25.3%	28.7%	38.2%	30.6%		-3.4%	-7.6%	26.9%
Net Profit Margin	17.2%	0.9%	7.5%	25.4%	11.8%		-5.4%	-13.6%	0.6%

Unit: IDR bn, %

Source: Company Data, NHKSI Research

Revisions to Earnings

		2020F	2021F	2022F
Income Statement				
Revenue	-Revised	6,695	7,218	7,635
	-Previous			
	-Change			
Gross Profit	-Revised	3,354	3,590	3,783
	-Previous			
	-Change			
EBIT	-Revised	1,896	2,068	2,147
	-Previous			
	-Change			
EBITDA	-Revised	2,191	2,391	2,479
	-Previous			
	-Change			
Net Profit	-Revised	1,158	961	1,026
	-Previous			
	-Change			
Margin				
Gross Margin	-Revised	50.1%	49.7%	49.6%
	-Previous			
EBIT Margin	-Revised	28.3%	28.6%	28.1%
	-Previous			
EBITDA Margin	-Revised	32.7%	33.1%	32.5%
	-Previous			
Net Profit Margin	-Revised	17.3%	13.3%	13.4%
	-Previous			

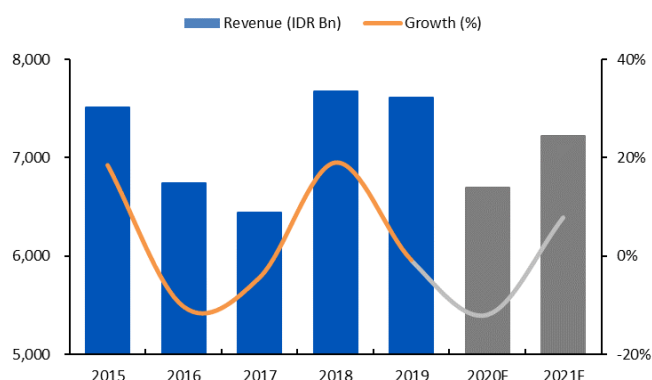
Unit: IDR bn, %

Source: Company Data, NHKSI Research

Company Overview

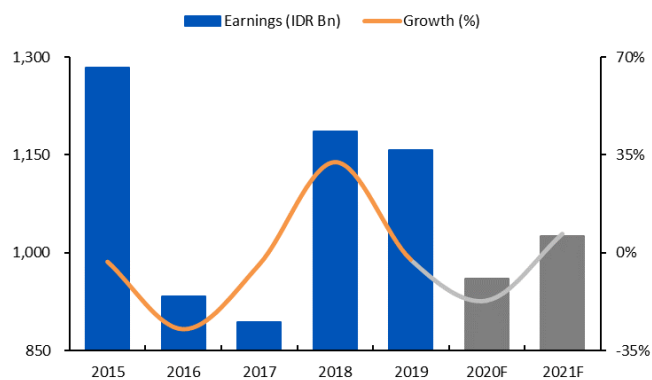
- On October 22, 1981 established company named PT Citra Habitat Indonesia which changed to be PT Ciputra Development (CTRA) in 1990.
- CTRA was listed on Indonesia Stock Exchange (IDX) in 1994.
- CTRA has 3 (three) subsidiaries engaged in residential property and 6 (six) subsidiaries engaged in commercial property.
- CTRA runs business lines on property development for sale and commercial property development and management.
- CTRA has diversified portfolio over 75 projects in 33 cities across the nation. CTRA's largest project was on Jakarta and surrounded areas. The projects are Citra Garden City, Ciputra International, Mall & Hotel Ciputra, Citra Tower Kemayoran, Ciputra World Jakarta, CitraRaya Tangerang, dan Citra Maja Raya.

Revenue and Growth Movement



Source: Company Data, NHKSI Research

Earnings and Growth Movement



Source: Company Data, NHKSI Research

Analysis of Asia-Pacific Peers

	Market Cap (USD mn)	Asset (USD mn)	Sales Growth	Gross Margin	Operating Margin	Net Profit Growth	ROE (LTM)	P/E (LTM)	P/BV
Indonesia									
PT Bumi Serpong Damai Tbk	897	3,932	6.88%	71.5%	35.7%	61.7%	8.9%	5.2x	0.5x
PT Ciputra Development Tbk	781	2,614	-0.81%	50%	28.7%	-21.7%	7.2%	10.6x	0.8x
PT Pakuwon Jati Tbk	1,286	1,885	1.71%	56%	42.5%	6.9%	19.7%	6.8x	1.2x
PT Summarecon Agung Tbk	480	1,765	4.95%	48%	26.7%	14.8%	7.2%	13.4x	0.9x
Singapore									
Capitaland Ltd	11,319	61,242	11.29%	48%	64%	21.2%	10.1%	6.8x	0.7x
Malaysia									
SP Setia Bhd	870	7,345	9.33%	26%	19%	-49.7%	2.3%	25.1x	0.3x
IOI Properties Group Bhd	1,403	7,908	17.66%	54%	43%	-29.5%	2.9%	11.0x	0.3x
Thailand									
Land & Houses PUB Co Ltd	2,897	3,802	-	-	-	-3.0%	18.3%	9.6x	1.8x
WHA Corp PCL	1,516	2,765	24.42%	39%	27%	11.1%	11.4%	14.4x	1.6x
Philippines									
Megaworld Corp	1,947	6,896	15.13%	360%	38%	17.9%	10.5%	5.4x	0.6x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

Summary of Financials

INCOME STATEMENT

In IDR bn	2019/12A	2020/12E	2021/12E	2022/12E
Revenues	7,608	6,695	7,218	7,635
Growth (% y/y)	-0.8%	-12.0%	7.8%	5.8%
COGS	(3,816)	(3,341)	(3,629)	(3,851)
Gross Profit	3,792	3,354	3,590	3,783
Gross Margin	49.8%	50.1%	49.7%	49.6%
Operating Expenses	(1,551)	(1,458)	(1,522)	(1,636)
EBIT	2,240	1,896	2,068	2,147
EBIT Margin	29.4%	28.3%	28.6%	28.1%
Depreciation	259	295	323	332
EBITDA	2,500	2,191	2,391	2,479
EBITDA Margin	32.9%	32.7%	33.1%	32.5%
Interest Expenses	(923)	(902)	(963)	(1,018)
EBT	1,608	1,285	1,399	1,451
Income Tax	(325)	(241)	(273)	(278)
Minority Interest	(125)	(83)	(100)	(105)
Net Profit	1,158	961	1,026	1,069
Growth (% y/y)	-2.3%	-17.0%	6.8%	4.2%
Net Profit Margin	15.2%	14.3%	14.2%	14.0%

PROFITABILITY & STABILITY

	2019/12A	2020/12E	2021/12E	2022/12E
ROE	6.7%	5.4%	5.7%	5.6%
ROA	3.3%	2.6%	2.6%	2.7%
ROIC	6.6%	5.6%	5.7%	5.7%
Cash Dividend (IDR bn)	185	205	185	216
Dividend Yield (%)	1.0%	0.7%	0.7%	0.8%
Payout Ratio (%)	16.0%	21.3%	18.0%	20.2%
DER	52%	56%	56%	59%
Net Gearing	111%	120%	126%	138%
LT Debt to Equity	44%	46%	46%	46%
Capitalization Ratio	34%	36%	36%	37%
Equity Ratio	49%	46%	48%	48%
Debt Ratio	25%	26%	27%	28%
Financial Leverage	153%	211%	214%	209%
Current Ratio	2.17	2.29	2.59	2.61
Par Value (IDR)	250	250	250	250
Total Shares (mn)	18,560	18,560	18,560	18,560
Share Price (IDR)	1,040	1,490	1,490	1,490
Market Cap (IDR tn)	19.3	27.7	27.7	27.7

BALANCE SHEET

In IDR bn	2019/12A	2020/12E	2021/12E	2022/12E
Cash	4,238	4,601	5,083	5,934
Receivables	1,173	826	1,318	1,309
Inventories	10,661	12,678	11,547	11,709
Total Current Assets	18,195	20,212	20,039	21,024
Net Fixed Assets	15,189	15,489	16,038	16,501
Other Non Current Assets	2,812	2,851	2,889	2,928
Total Assets	36,196	38,552	38,966	40,453
Payables	1,838	1,344	1,570	1,235
ST Debt	1,434	1,730	1,821	2,379
LT Debt	7,742	8,144	8,573	8,951
Total Liabilities	18,434	20,920	20,407	21,084
Capital Stock + APIC	8,232	8,232	8,232	8,232
Retained Earnings	7,146	7,189	8,030	8,883
Shareholders' Equity	17,762	17,632	18,559	19,369

VALUATION INDEX

	2019/12A	2020/12E	2021/12E	2022/12E
Price /Earnings	16.7x	28.8x	27.0x	25.9x
Price /Book Value	1.1x	1.6x	1.5x	1.4x
Price/Revenue	2.5x	4.1x	3.8x	3.6x
PE/EPS Growth	-7.2x	-1.7x	4.0x	6.2x
EV/EBITDA	9.7x	15.0x	13.8x	13.3x
EV/EBIT	10.8x	17.4x	15.9x	15.4x
EV (IDR bn)	24,241	32,927	32,965	33,052
Revenue CAGR (3-Yr)	4.1%	1.3%	-2.0%	0.1%
EPS CAGR (3-Yr)	7.4%	2.4%	-4.7%	-2.6%
Basic EPS (IDR)	62	52	55	58
Diluted EPS (IDR)	62	52	55	58
BVPS (IDR)	957	950	1,000	1,044
Revenue PS (IDR)	410	361	389	411
DPS (IDR)	10	11	10	12

CASH FLOW STATEMENT

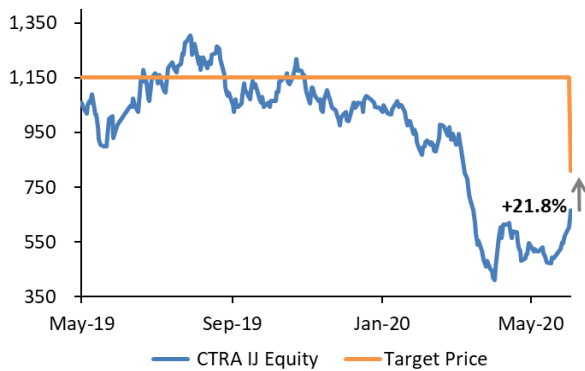
In IDR bn	2019/12A	2020/12E	2021/12E	2022/12E
Operating Cash Flow	980	818	845	1,010
Investing Cash Flow	(582)	(907)	(783)	(838)
Financing Cash Flow	604	405	420	679
Net Changes in Cash	1,001	316	482	850

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	79.9	PT Sang Pelopor 52.8
United States	10.6	Norges Bank 2.8
Norway	4.1	Vanguard Group Inc 2.1
Luxembourg	3.3	Dimensional Fund 2.0

Source: Company Data, NHKSI Research

Closing and Target Price Update



Source: Bloomberg, NHKSI Research

Rating and Target Price Update

Date	Rating	Target Price	Consensus
25/04/2018	Buy	1,370	1,449
05/07/2018	Buy	1,130	1,423
04/10/2018	Buy	1,050	1,339
29/11/2018	Buy	1,250	1,188
07/02/2019	Buy	1,150	1,259
03/06/2020	Buy	810	871

Source: NHKSI Research

NHKS stock ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Buy: greater than +15%, Hold: -15% to +15%, Sell: less than -15%.
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