

Ciputra Development Tbk (CTRA IJ)

Focus on Existing Projects

Company Update | Dec 17, 2020

Buy

Target Price (IDR)	1,220
Consensus Price (IDR)	1,032
TP to Consensus Price	+18.2%
vs. Last Price	+35.6%

Shares data

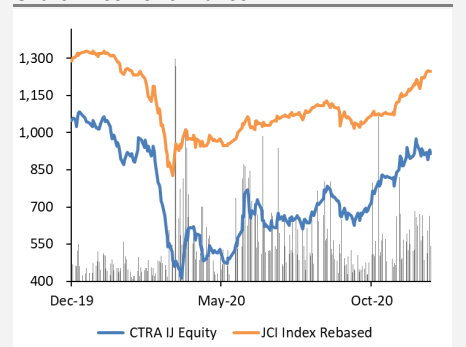
Last Price (IDR)	900
Price Date as of	Dec 16, 2020
52 wk Range (Hi/Low)	1,090/394
Free Float (%)	47.1
Outstanding sh. (mn)	18,560
Market Cap. (IDR bn)	16,983
Market Cap. (USD mn)	1,201
Avg. Trd Vol - 3M (mn)	35.58
Avg. Trd Val - 3M (bn)	29.64
Foreign Ownership	19.6%

Property

Real Estate Owner & Developer

Bloomberg	CTRA IJ
Reuters	CTRA.IJK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-10.7%	2.2%	38.6%	-12.0%
Rel. Ret.	-5.2%	-5.5%	20.3%	-8.1%

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In 3Q20, CTRA booked an income of IDR1.43 trillion (+11% QoQ, -4.9% YoY) or 19.6% higher than our estimates. However, GPM was slightly down to 43% (vs 45.5% 2Q20) due to high cost of goods sold. Meanwhile, gains from marketing sales in 3Q20 reached IDR1.75 trillion (+100.3% QoQ), continuing the positive recovery trend of marketing sales. In 2021, CTRA will focus on marketing sales income from sales of existing project.

3Q20 Performance Above Our Estimates

CTRA booked an income of IDR1.43 trillion (+11% QoQ, -4.9% YoY) in 3Q20, 19.6% above our estimates. House and shop house sales support sales number with an increase of 22.6% YoY and contributed to sales of IDR1.02 trillion. Meanwhile, other sales segments such as apartment sales, shopping malls, and hotels, went down each by 20.6%, 33.5%, and 76.7% YoY. In contrast, the lack of efficiency in the company's cost of sales and direct costs by the company decreased GPM to 43% (vs 45.5% 2Q20). However, other income increase of 65% QoQ resulted in the OPM and NPM to go up by 16.5% and 4.4% (vs 9.4% and 4.4% in 2Q20). CTRA's profit was recorded at IDR63 billion (-44.4% YoY vs IDR113 billion 3Q19), 0.6% higher than our estimates at IDR62 billion. However, on a quarterly basis, profit went up compared to 2Q20 that booked net loss of IDR8 billion.

Remain Optimist that Positive Trend of Marketing Sales will Continue

Despite being hit by PSBB, CTRA's marketing sales in 2020 experienced a positive trend since May. Furthermore, marketing sales in 3Q20 reached IDR1.75 trillion (+0.5% YoY vs IDR1.74 trillion 3Q19). So, the total marketing sales until September is IDR3.76 trillion or 83% of the target. We see that CTRA is able to take an advantage of the recovery momentum of property sales in 3Q20 by optimizing the sales of clusters launched in Semester-I 2020. Some of the launched products include clusters in existing projects at CitraGarden Puri West Jakarta, Citra Maja Raya, CitraRaya Tangerang, Citra Sentul Raya, and City Losari Makassar. The majority of clusters launched are targeting the middle lower segments.

Focus on Existing Project until 2021

In 2021, CTRA will focus on the development of existing projects, such as in Surabaya and Medan. The total land area developed in Medan reaches 8,000 hectare, while in Surabaya it's 700 hectare. Meanwhile, high-rise property sales in Ciracas remains as CTRA's mainstay by putting forward the concept of Transit Oriented Development (TOD). CTRA allocates IDR1.5 trillion of capex in 2021, or equal to in 2019 in hopes that the pandemic abates and economy returns to normal. Under the Omnibus Law, the government plans to accelerate housing development for Low-Income Communities (MBR). This will be an advantage for CTRA as a developer that focuses on middle to lower segment.

Maintain BUY with TP IDR1,220

We maintain BUY by increasing target price to IDR1,220 using discount to NAV 79% estimates (0.7 SD above the three-year average). Pricing risks include: 1) Covid case increases, causing PSBB to be retightened, 2) decrease in mortgage interest rates that have not been maximized, 3) lack of public purchasing power. Currently, CTRA is traded at a discount to NAV of 84%.

Ciputra Development Tbk | Summary

	2019A	2020F	2021F	2022F
Revenue	7,608	6,185	6,596	7,210
Growth (%)	-0.8%	-18.7%	6.6%	9.3%
EBITDA	2,500	1,466	2,264	2,354
Net Profit	1,158	540	894	1,065
EPS (IDR)	62	29	48	57
Growth (%)	-2.3%	-53.4%	65.5%	19.2%
P/E	16.7x	26.8x	24.1x	20.2x
P/BV	1.1x	0.8x	1.2x	1.1x
EV/EBITDA	9.7x	13.0x	11.5x	10.9x
ROE (%)	6.7%	3.1%	5.0%	5.7%
DER (%)	51.7%	56.0%	56.0%	58.5%
Net Debt	4,938	4,639	4,416	4,097

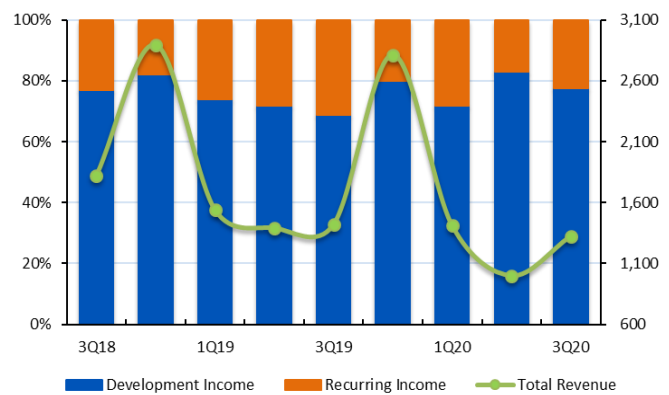
Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

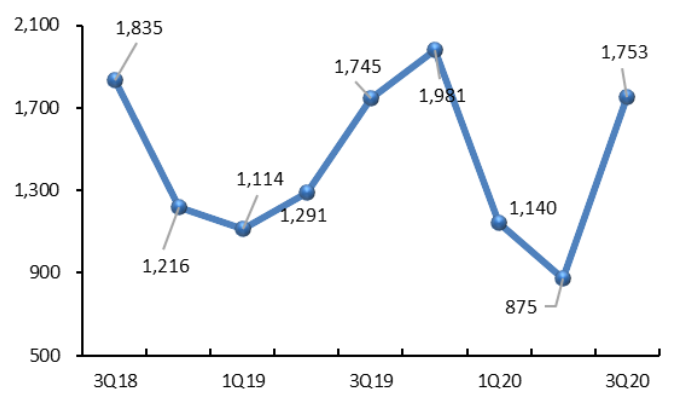
Performance Highlights in Charts

CTRA Quarterly Income (IDR bn) | 3Q18 - 3Q20



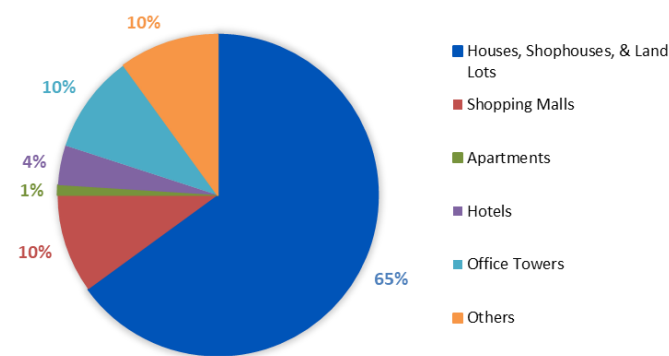
Source: Company Data, NHKSI Research

CTRA Quarterly Marketing Sales | 3Q18 - 3Q20



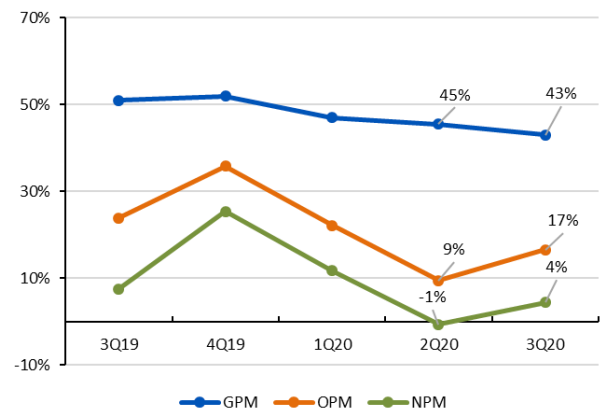
Source: Company Data, NHKSI Research

9M20's Revenue Breakdown



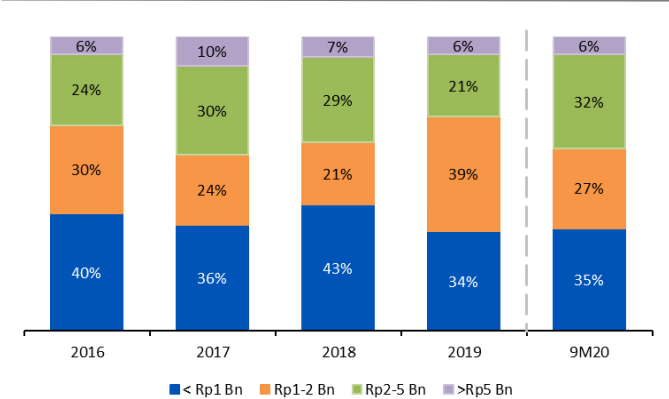
Source: Company Data, NHKSI Research

Margin Ratio



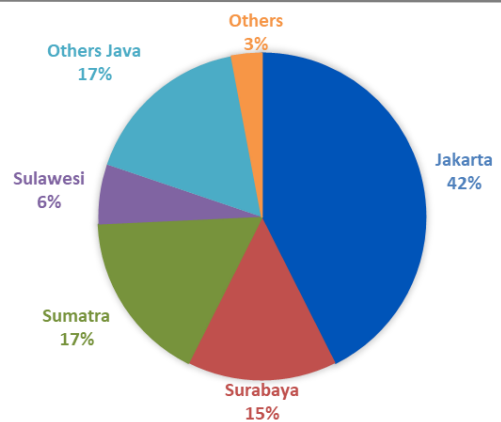
Source: Company Data, NHKSI Research

Pre Sales per Unit Price



Source: Company Data, NHKSI Research

Pre Sales per Location



Source: Company Data, NHKSI Research

Quarterly Review

	3Q19	4Q19	1Q20	2Q20	3Q20					4Q20E
					Actual	Estimate	Y-Y	Q-Q	Surprise	
Income statement										
Revenue	1,510	2,953	1,510	1,295	1,436	1,201	-4.9%	10.9%	19.6%	1,945
Gross Profit	769	1,534	705	589	617	580	-19.7%	4.9%	6.5%	989
EBIT	360	1,058	335	122	237	255	-34.2%	94.5%	-7.0%	481
EBITDA	433	1,129	410	195	314	332	-27.4%	60.8%	-5.2%	545
Net Profit	113	749	178	-8	63	62	-44.4%		0.6%	308
Margin (%)										
Gross Margin	50.9%	51.9%	46.9%	45.5%	43.0%	48.3%	-7.9%	-2.5%	-11.0%	50.9%
EBIT Margin	23.9%	35.8%	22.2%	9.4%	16.5%	21.2%	-7.4%	7.1%	-22.2%	24.7%
EBITDA Margin	28.7%	38.2%	27.2%	15.1%	21.9%	27.6%	-6.8%	6.8%	-20.7%	28.0%
Net Profit Margin	7.5%	25.4%	11.8%	-0.6%	4.4%	5.2%	-3.1%	5.0%	-15.9%	15.8%

Unit: IDR bn, %

Source: Company Data, NHKSI Research

Revisions to Earnings

		2020F	2021F	2022F
Income Statement				
Revenue	-Revised	6,185	6,596	7,210
	-Previous	5,509	5,840	6,359
	-Change	12.3%	12.9%	13.4%
Gross Profit	-Revised	2,903	3,250	3,455
	-Previous	2,683	2,886	3,068
	-Change	8.2%	12.6%	12.6%
EBIT	-Revised	1,175	1,942	2,025
	-Previous	1,374	1,728	1,807
	-Change	-14.5%	12.4%	12.1%
EBITDA	-Revised	1,466	2,264	2,354
	-Previous	1,664	2,049	2,135
	-Change	-11.9%	10.5%	10.3%
Net Profit	-Revised	540	894	1,065
	-Previous	619	787	856
	-Change	-12.8%	13.6%	24.3%
Margin				
Gross Margin	-Revised	46.9%	49.3%	47.9%
	-Previous	48.7%	49.4%	48.3%
EBIT Margin	-Revised	19.0%	29.4%	28.1%
	-Previous	24.9%	29.6%	28.4%
EBITDA Margin	-Revised	23.7%	34.3%	32.7%
	-Previous	30.2%	35.1%	33.6%
Net Profit Margin	-Revised	8.7%	13.5%	14.8%
	-Previous	11.2%	13.5%	13.5%

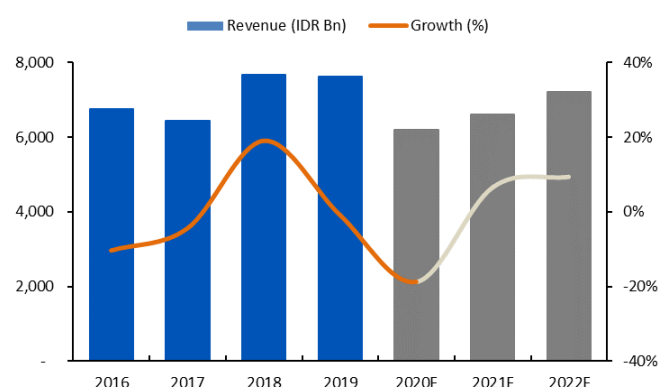
Unit: IDR bn, %

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	1,035	3,932	6.88%	71.5%	35.7%	-68.4%	3.3%	23.2x	0.8x
PT Ciputra Development Tbk	777	2,614	-0.81%	50%	28.7%	-4.0%	6.7%	17.2x	1.2x
PT Pakuwon Jati Tbk	1,116	1,885	1.71%	56%	42.5%	-59.8%	8.1%	22.4x	1.8x
PT Summarecon Agung Tbk	498	1,765	4.95%	48%	26.7%	-66.4%	2.6%	61.7x	1.6x
Singapore									
Capitaland Ltd	10,095	1,242	11.29%	48%	64%	-20.8%	5.9%	12.2x	0.7x
Malaysia									
SP Setia Bhd	711	7,345	9.33%	26%	19%	-81.2%	-3.1%	25.1x	0.3x
IOI Properties Group Bhd	1,216	7,679	-3.69%	56%	38%	-25.5%	2.7%	17.5x	0.5x
Thailand									
Land & Houses PUB Co Ltd	2,648	3,802	-12.4%	32.2%	30.0%	9.6%	18.5%	11.4x	2.1x
WHA Corp PCL	1,335	2,765	24.42%	39%	27%	-34.9%	7.8%	20.4x	1.7x
Philippines									
Megaworld Corp	1,952	6,896	15.13%	60%	38%	-25.1%	7.0%	10.7x	0.7x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

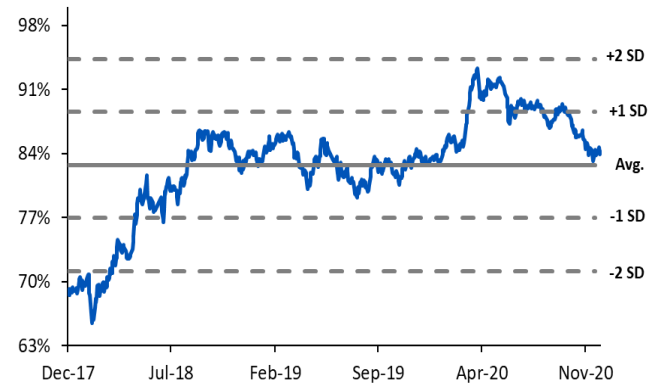
Valuation Highlights in Charts

3-Year Forward P/E Band



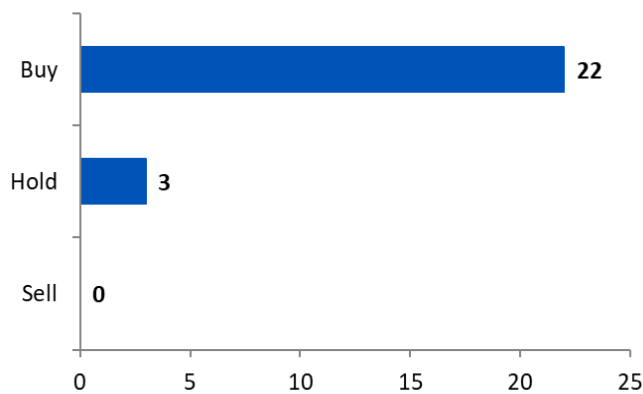
Source: Bloomberg, NHKSI Research

3-Year Discount to NAV Band



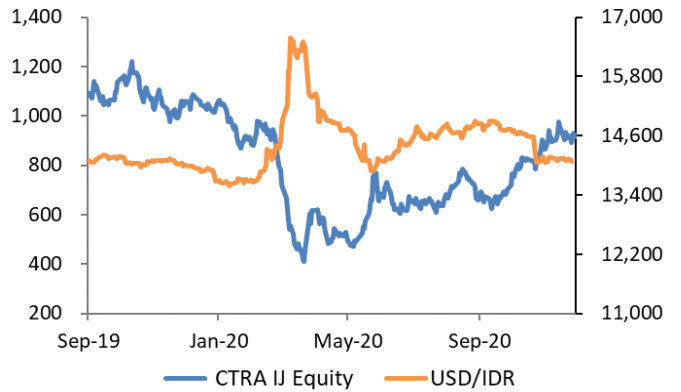
Source: Bloomberg, NHKSI Research

Analysts' Recommendation



Source: Bloomberg, NHKSI Research

Correlation between CTRA and USD/IDR



Source: Bloomberg, NHKSI Research

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
24/09/2020	Buy	780	881
11/12/2020	Buy	1,220	1,032

Source: NHKSI Research

NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Rating system based on a stock's potential upside from the date of publication
 - Buy : Greater than +15%
 - Overweight : +5% to 15%
 - Hold : -5% to +5%
 - Underweight : -5% to -15%
 - Sell : Less than -15%

Summary of Financials

INCOME STATEMENT

In IDR bn	2019/12A	2020/12E	2021/12E	2022/12E
Revenues	7,608	6,185	6,596	7,210
Growth (% y/y)	-0.8%	-18.7%	6.6%	9.3%
COGS	(3,816)	(3,282)	(3,345)	(3,755)
Gross Profit	3,792	2,903	3,250	3,455
Gross Margin	49.8%	46.9%	49.3%	47.9%
Operating Expenses	(1,551)	(1,729)	(1,308)	(1,430)
EBIT	2,240	1,175	1,942	2,025
EBIT Margin	29.4%	19.0%	29.4%	28.1%
Depreciation	259	291	322	329
EBITDA	2,500	1,466	2,264	2,354
EBITDA Margin	32.9%	23.7%	34.3%	32.7%
Interest Expenses	(923)	(788)	(1,057)	(992)
EBT	1,608	638	1,145	1,321
Income Tax	(325)	(58)	(167)	(156)
Minority Interest	(125)	(41)	(84)	(100)
Net Profit	1,158	540	894	1,065
Growth (% y/y)	-2.3%	-53.4%	65.5%	19.2%
Net Profit Margin	15.2%	8.7%	13.5%	14.8%

PROFITABILITY & STABILITY

	2019/12A	2020/12E	2021/12E	2022/12E
ROE	6.7%	3.1%	5.0%	5.7%
ROA	3.3%	1.4%	2.1%	2.4%
ROIC	6.6%	4.0%	5.8%	5.9%
Cash Dividend (IDR bn)	185	148	79	158
Dividend Yield (%)	1.0%	1.0%	0.3%	0.7%
Payout Ratio (%)	16.0%	27.5%	8.8%	14.8%
DER	52%	56%	56%	59%
Net Gearing	111%	118%	124%	135%
LT Debt to Equity	44%	46%	46%	46%
Capitalization Ratio	34%	36%	36%	37%
Equity Ratio	49%	40%	44%	39%
Debt Ratio	25%	22%	25%	23%
Financial Leverage	153%	226%	238%	243%
Current Ratio	2.17	1.91	2.33	1.92
Par Value (IDR)	250	250	250	250
Total Shares (mn)	18,560	18,560	18,560	18,560
Share Price (IDR)	1,040	780	1,220	1,220
Market Cap (IDR tn)	19.3	14.5	22.6	22.6

BALANCE SHEET

In IDR bn	2019/12A	2020/12E	2021/12E	2022/12E
Cash	4,238	5,044	5,764	7,046
Receivables	1,173	1,201	984	1,468
Inventories	10,661	15,730	12,496	17,210
Total Current Assets	18,195	24,115	21,399	27,895
Net Fixed Assets	15,189	15,642	16,223	16,773
Other Non Current Assets	2,812	3,318	3,824	4,330
Total Assets	36,196	43,075	41,445	48,998
Payables	1,838	1,288	1,023	1,902
ST Debt	1,434	1,696	1,783	2,340
LT Debt	7,742	7,987	8,396	8,803
Total Liabilities	18,434	25,785	23,268	29,949
Capital Stock + APIC	8,232	8,232	8,232	8,232
Retained Earnings	7,146	6,818	7,633	8,540
Shareholders' Equity	17,762	17,291	18,177	19,049

VALUATION INDEX

	2019/12A	2020/12E	2021/12E	2022/12E
Price /Earnings	16.7x	26.8x	25.3x	21.3x
Price /Book Value	1.1x	0.8x	1.2x	1.2x
Price/Revenue	2.5x	2.3x	3.4x	3.1x
PE/EPS Growth	-7.2x	-0.5x	0.4x	1.1x
EV/EBITDA	9.7x	13.0x	12.0x	11.4x
EV/EBIT	10.8x	16.3x	13.9x	13.2x
EV (IDR bn)	24,241	19,116	27,059	26,741
Revenue CAGR (3-Yr)	4.1%	-1.4%	-4.9%	-1.8%
EPS CAGR (3-Yr)	7.4%	-15.5%	-9.0%	-2.8%
Basic EPS (IDR)	62	29	48	57
Diluted EPS (IDR)	62	29	48	57
BVPS (IDR)	957	932	979	1,026
Revenue PS (IDR)	410	333	355	388
DPS (IDR)	10	8	4	9

CASH FLOW STATEMENT

In IDR bn	2019/12A	2020/12E	2021/12E	2022/12E
Operating Cash Flow	980	1,127	1,107	1,004
Investing Cash Flow	(582)	(681)	(876)	(492)
Financing Cash Flow	604	342	489	771
Net Changes in Cash	1,001	788	720	1,283

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	80.4	PT Sang Pelopor
United States	8.7	Norges Bank
Norway	4.2	Vanguard Group Inc
Canada	2.4	Dimensional Fund

Source: Company Data, NHKSI Research

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