

# Ciputra Development (CTRA)

## Government Incentive Provides Positive Catalyst

Ciputra Development Tbk. (CTRA) reported a 8.8% YoY revenue decline in 9M23 (IDR 6.59 trillion vs IDR 7.22 trillion) and a 22.6% fall in net income (IDR 1.18 trillion vs 1.53 trillion) as higher interest rates continue to put pressure on the property sector. CTRA's property development segment only made up 77.1% of the company's total revenue in 9M23 compared to 81.1% in 9M22.

### Marketing sales rise while margins slip

- CTRA posted a 19% YoY increase in marketing sales (IDR 7.8 trillion vs IDR 6.6 trillion). Most of this arised from joint-operation (JO) projects, which made up 64.1% of marketing sales in 9M23 compared to 53.9% in 9M22.
- JO development projects involve collaborating with land owners, and thus enable quicker expansion with less required up-front investment. This JO strategy is not easily replicable, and is effective for CTRA due to its good reputation and traction.
- On the other hand, CTRA experienced slight dips in their profit margins in 9M23. Gross profit margin fell from 50.1% to 47.4% YoY while net profit margin declined to 17.9% from 21.1%.

### Recurring revenue continues to shine

- CTRA experienced a 10.4% YoY increase in recurring revenue, with all sub-segments recording YoY improvements except hospitals.
- The 24.7% YoY rise in hotel revenue is a major factor. RevPAR rose by 15% and the RevPAR of individual hotels already exceeding pre-Covid levels. This is caused by higher occupancy levels as tourism continues to recover.
- Shopping centres also reported a 13.6% YoY increase in revenue as rental rates are hiked with the justification of higher foot traffic.

### Positive catalysts driving future optimism

- The Indonesian government announced a new policy exempting value-added taxes (VAT) on the purchase of apartments, shophouses, and houses up to IDR 2 billion. It will be a 100% VAT exemption for the period of November 2023 until June 2024, and a 50% VAT deduction for the period of July 2024 to December 2024.
- Units with a price of up to IDR 5 billion can also get VAT exemption, with the caveat of a limit of IDR 2 billion.
- Recent US economic data releases showed the US economy starting to slowdown, increasing hopes that the FED will start cutting interest rates. This bodes well for Indonesia's own hopes for interest rate cuts.
- These 2 factors have led to widespread optimism for the property sector in 2024, especially later on in the year once election-related uncertainty dies down.

### Recommend Buy with TP of IDR 1300

- We maintain our BUY recommendation for CTRA with a TP of IDR1300, reflecting a target PBV value of 1.25x, equivalent to the 3-yr +1 SD. Price is currently trading at a PBV of 1.08.
- This call is motivated by the growing prospect of rate cuts, government tax incentives, and the company's continued deleveraging efforts (debt-to-equity fell to 37% in 9M23 compared to 43% in 2022), thus making it a more attractive investment.
- Risks: 1) Indonesian General Election 2) Continued high interest rates 3) Fall in consumer purchasing power

### Ciputra Development Tbk | Summary

in IDR bn	2022A	2023E	2024F	2025F
Revenue	9,127	9,032	10,648	11,862
Revenue growth	-6.2%	-1.0%	17.9%	11.4%
Net profit	1,863	1,628	2,159	2,360
EPS (IDR)	101	88	116	127
Net Profit growth	7.4%	-12.6%	32.6%	9.3%
NPM	20.4%	18.0%	20.3%	19.9%
ROE	9.2%	7.5%	9.3%	9.4%
ROA	4.5%	3.8%	4.8%	5.0%
P/E	11.3x	13.0x	9.8x	9.0x
P/BV	1.0x	0.9x	0.9x	0.8x
EV/EBITDA	7.4x	7.6x	5.8x	4.7x

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Update | Dec 11, 2023

## Buy

Target Price (IDR)	1300
Consensus Price (IDR)	1426
TP to Consensus Price	-9.7%
Potential Upside	+14.0%

### Shares data

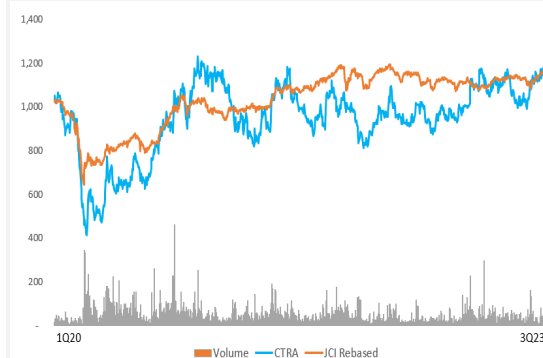
Last Price (IDR)	1,140
Price Date as of	Dec 07, 2023
52 wk Range (Hi/Lo)	1,195/865
Free Float (%)	43.1
Outstanding sh.(mn)	18,536
Market Cap (IDR bn)	21,130
Market Cap (USD mn)	1,363
Avg. Trd Vol - 3M (mn)	30.3
Foreign Ownership	23.5%

### Property

#### Real Estate Owner & Developer

Bloomberg	CTRA IJ
Reuters	CTRA.JK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	21.3%	1.3%	4.6%	17.5%
Rel. Ret.	17.1%	-2.4%	2.6%	14.0%

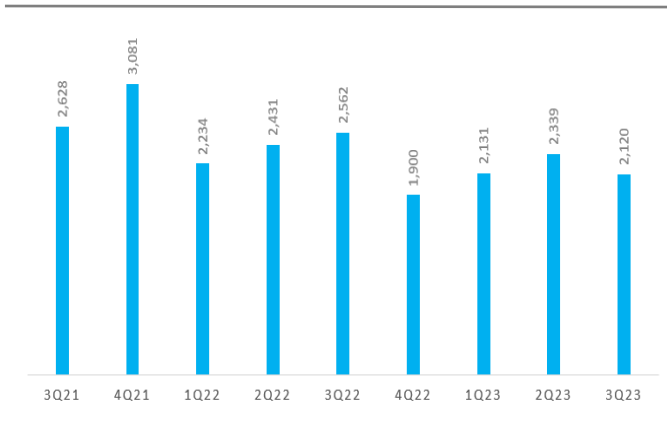
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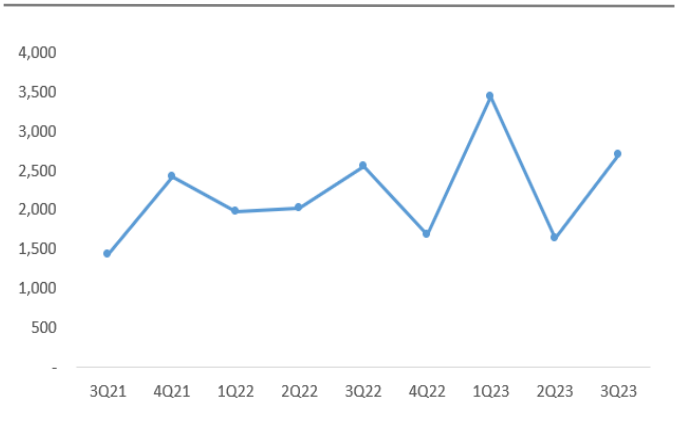
## Performance Highlights in Charts

CTRA Quarterly Revenue (IDR bn) | 3Q21 - 3Q23



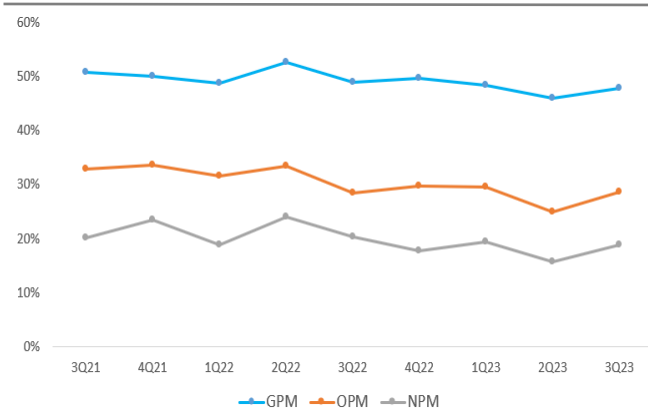
Source: Company Data, NHKSI Research

CTRA Quarterly Marketing Sales (IDR bn) | 3Q21 - 3Q23



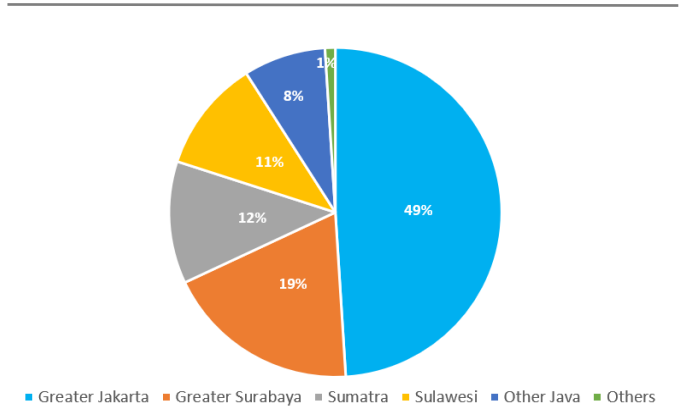
Source: Company Data, NHKSI Research

CTRA Margin Ratios | 3Q21 - 3Q23



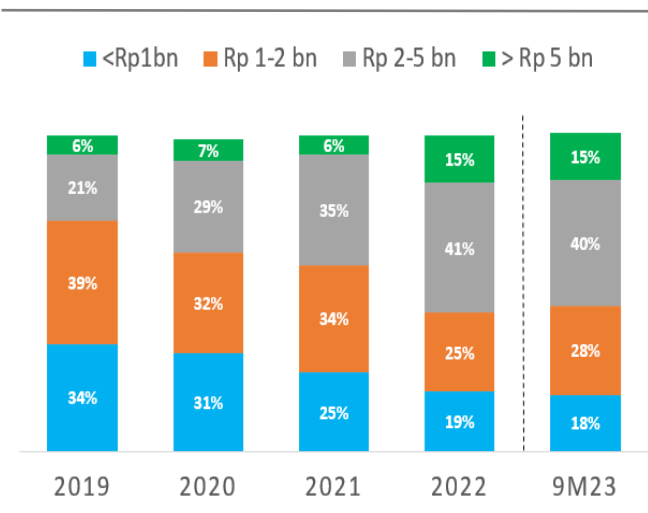
Source: Company Data, NHKSI Research

CTRA Presales per Location | 9M23



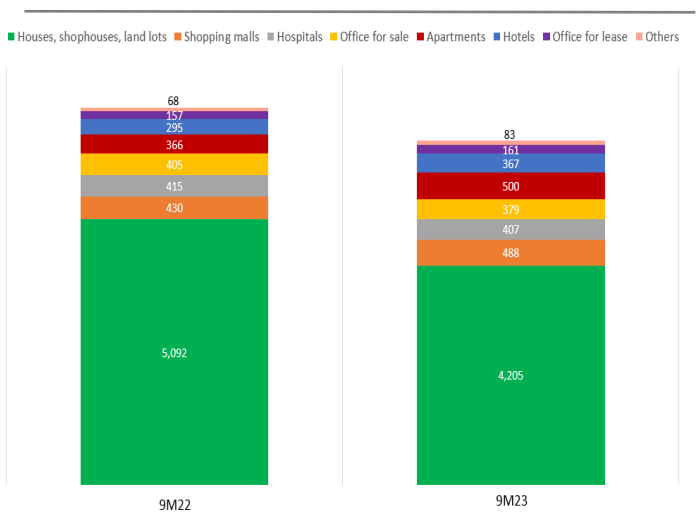
Source: Company Data, NHKSI Research

CTRA Presales per Unit Price | 2019 - 2023



Source: Company Data, NHKSI Research

CTRA Revenue Breakdown | 9M23



Source: Company Data, NHKSI Research

## Summary of Financials

### INCOME STATEMENT

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
<b>Revenue</b>	<b>9,127</b>	<b>9,032</b>	<b>10,648</b>	<b>11,862</b>
<i>Growth</i>	-6.2%	-1.0%	17.9%	11.4%
COGS	4,560	4,735	5,303	6,017
<b>Gross Profit</b>	<b>4,567</b>	<b>4,297</b>	<b>5,345</b>	<b>5,845</b>
<i>Gross Margin</i>	50.0%	47.6%	50.2%	49.3%
Operating Expenses	(1,755)	(1,817)	(2,251)	(2,382)
<b>EBIT</b>	<b>2,815</b>	<b>2,481</b>	<b>3,094</b>	<b>3,463</b>
<i>EBIT Margin</i>	30.8%	27.5%	29.1%	29.2%
Depreciation	340	355	323	332
<b>EBITDA</b>	<b>3,155</b>	<b>2,835</b>	<b>3,417</b>	<b>3,795</b>
<i>EBITDA Margin</i>	34.6%	31.4%	32.1%	32.0%
<b>EBT</b>	<b>2,060</b>	<b>1,755</b>	<b>2,320</b>	<b>2,535</b>
Income Tax	57	36	68	82
Minority Interest	141	93	93	93
<b>Net Profit</b>	<b>1,863</b>	<b>1,628</b>	<b>2,159</b>	<b>2,360</b>
<i>Growth</i>	7.4%	-12.6%	32.6%	9.3%
<i>Net Profit Margin</i>	20.4%	18.0%	20.3%	19.9%

### BALANCE SHEET

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Cash	9,050	9,924	11,488	13,205
Receivables	781	863	932	1,008
Inventories	11,641	12,348	12,923	12,960
<b>Total Current Assets</b>	<b>23,732</b>	<b>25,400</b>	<b>27,735</b>	<b>29,594</b>
Net Fixed Assets	15,451	15,727	16,036	16,408
Other Non Current Assets	2,849	2,476	2,600	2,649
<b>Total Assets</b>	<b>42,033</b>	<b>43,603</b>	<b>46,371</b>	<b>48,650</b>
Payables	2,165	2,485	2,637	2,854
ST Debt	879	587	572	557
LT Debt	8,038	7,236	7,043	6,863
<b>Total Liabilities</b>	<b>21,018</b>	<b>21,250</b>	<b>22,196</b>	<b>22,477</b>
Capital Stock	4,640	4,634	4,634	4,634
Retained Earnings	10,317	11,667	13,437	15,384
<b>Shareholders' Equity</b>	<b>21,015</b>	<b>22,353</b>	<b>24,174</b>	<b>26,173</b>

### CASH FLOW STATEMENT

(IDR bn)	2022/12A	2023/12F	2024/12F	2025/12F
Operating Cash Flow	3,759	3,151	3,168	3,609
Investing Cash Flow	(721)	(908)	(952)	(1,234)
Financing Cash Flow	(1,170)	(1,370)	(654)	(663)
<b>Net Changes in Cash</b>	<b>1,881</b>	<b>873</b>	<b>1,564</b>	<b>1,716</b>

### PROFITABILITY & STABILITY

	2022/12A	2023/12F	2024/12F	2025/12F
ROE	9.2%	7.5%	9.3%	9.4%
ROA	4.5%	3.8%	4.8%	5.0%
Inventory Turnover	0.8	0.7	0.8	0.9
Days Inventory Outstanding	465.5	499.0	443.0	398.8
Receivables Turnover	11.6	12.3	11.4	11.8
Account Receivable Days	31.6	29.6	31.9	31.0
Dividend Yield (%)	1.4%	1.3%	1.8%	2.0%
Payout Ratio (%)	16.2%	17.1%	18.0%	17.5%
DER	42.4%	35.0%	31.5%	28.4%
Current Ratio	2.2	2.2	2.2	2.3
Quick Ratio	1.9	1.9	1.9	2.0
DAR	21%	18%	16%	15%
Total Shares (mn)	18,536	18,536	18,536	18,536
Share Price (IDR)	1,140	1,140	1,140	1,140
Market Cap (IDR tn)	21.1	21.1	21.1	21.1

### VALUATION INDEX

	2022/12A	2023/12F	2024/12F	2025/12F
Price/Earnings	11.3x	13.0x	9.8x	9.0x
Price/Book Value	1.0x	0.9x	0.9x	0.8x
EV/EBITDA	7.4x	7.6x	5.8x	4.7x
EV (IDR bn)	23,473	21,531	19,807	17,947
BVPS (IDR)	1,134	1,206	1,304	1,412
Basic EPS (IDR)	101	88	116	127

### TOP OWNERSHIP

Shareholders	%
PT Sang Pelopor	53.31
FIL Ltd	2.91
Norges Bank	2.77
Vanguard Group Inc	2.13

By Geography	%
Indonesia	76.53
United States	6.16
Luxembourg	5.41

Source: Company Data, NHKSI Research

### NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. 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%

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