

Ciputra Development Tbk (CTRA)

Proper Preparation

Well-Diversified Portfolio

CTRA is a property company with the best project portfolio diversification than the other property companies. The diversification is not only based on **property project locations** but also **target market**. Its property projects respond well the demand **from low-income retail division to commercial-and-premium division**.

Initial Recovery in Property Sector to Benefit CTRA

Although the property sector experiences no recovery, **its current outlook is normal** after it suffered from impediment in 2016. Factors attributable to the recovery in the property sector are projected to have a more significant impact to CTRA than its competitors.

The trend of lukewarm interest rate is potent driver for CTRA's residential sales as 51% of its total marketing sales applies the method of mortgage loan (KPR). The **progress of infrastructure development**, particularly in Jakarta and its greater areas, such as Cibubur-Cawang LRT, and JORR2 toll road will likely boost the hike in land price of CTRA's residential projects.

2017 Launched Projects Buttressing 2018 Sales

In 2017, CTRA launched varied residential and apartment projects achieving sound pre-sales. In 10M2017, it succeeded to post **the pre-sales amounting to IDR6.2 trillion** (73,3% of 2017 target amounting to Rp8,5 trillion). We gauge that 2017 marketing sales achievement **will likely buttress the rebound of 15% in 2018 sales and 33% in 2018 net profit** (vs -10% in 2017 sales and -5% in 2017 net profit).

Ciputra Development, Tbk | Summary (IDR bn)

	2016/12A	2017/12E	2018/12E	2019/12E
Interest Income	6,739	6,052	6,936	7,191
<i>growth</i>	-10.3%	-10.2%	14.6%	3.7%
Operating Revenue	2,097	1,630	2,250	2,332
Net profit	933	891	1,184	1,229
EPS (IDR)	61	48	64	66
<i>EPS growth</i>	-27.3%	-4.5%	32.8%	3.8%
BVPS (IDR)	927	823	882	942
Net Interest Margin	31.1%	26.9%	32.4%	32.4%
Loan/Deposits	13.9%	14.7%	17.1%	17.1%
NPL	6.8%	6.0%	7.5%	7.3%
ROE	3.4%	3.0%	3.6%	3.4%
ROA	8.4%	5.2%	6.3%	6.1%
ROIC	22.1x	24.7x	18.7x	18.1x
P/E	1.4x	1.4x	1.4x	1.3x
P/BV	15.4x	19.8x	14.7x	14.4x
DPS (IDR)	5.7	4.5	6.0	6.2
<i>Dividend yield</i>	0.4%	0.4%	0.5%	0.5%

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

Buy

Dec 2018 TP (IDR)	1,440
Consensus Price (IDR)	1,416
TP to Consensus Price	+1.7%
vs. Last Price	+20.5%

Shares data

Last Price (IDR)	1,195
Price date as of	Jan 18, 2018
52 wk range (Hi/Lo)	1,450 / 990
Free float (%)	49.0
Outstanding sh.(mn)	18,560
Market Cap (IDR bn)	21,808
Market Cap (USD mn)	1,635
Avg. Trd Vol - 3M (mn)	12.53
Avg. Trd Val - 3M (bn)	14.87
Foreign Ownership	23.9%

Property

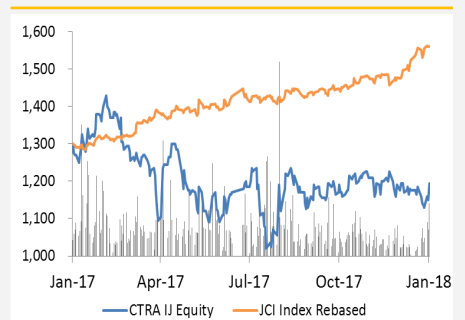
Real Estate Owner & Developer

Bloomberg	CTRA IJ
Reuters	CTRA.JK

Raphon Prima

+62 21 797 6202, ext:214
raphon@nhsec.co.id

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	0.8%	1.7%	0.4%	-8.1%
Rel. Ret.	0.6%	-4.0%	-7.5%	-28.1%

In Jakarta and its greater areas, Citraland Cibubur residential project and Citra Grand Cibubur CBD mixed-use project will likely give a significant contribution as **the locations of both projects are near to the JORR2 toll road project**. The Newton 2, a new apartment project, located in the area of Ciputra World Jakarta also has potency after CTRA succeeded to post **the sales amounting to IDR675 billion to Ascott Singapore**.

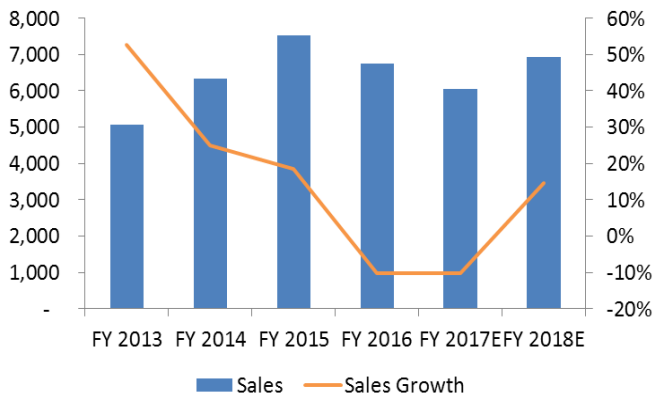
Projects launched in 2017 are projected to **prepare CTRA facing 2018** amid the improvement in the property sector. Meanwhile, in 2018, CTRA only launches 3 new apartment projects located in Pulo Gadung (East of Jakarta), Bandung, and Surabaya.

Target Price of Rp1,440

We use an assumption of forward P/E of 21.8x (the last 3 years average) to obtain the target price of December 2018. The target price is tacit to a 2018E P/E of 22.6x (vs 18.7x by now).

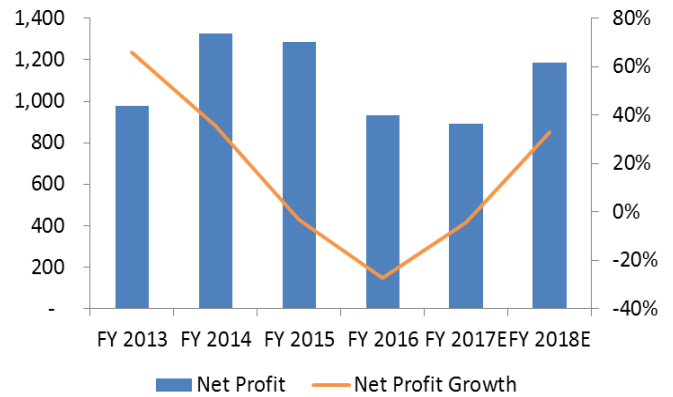
Performance Highlights

Sales (IDR bn) | FY 2013 - FY 2018E



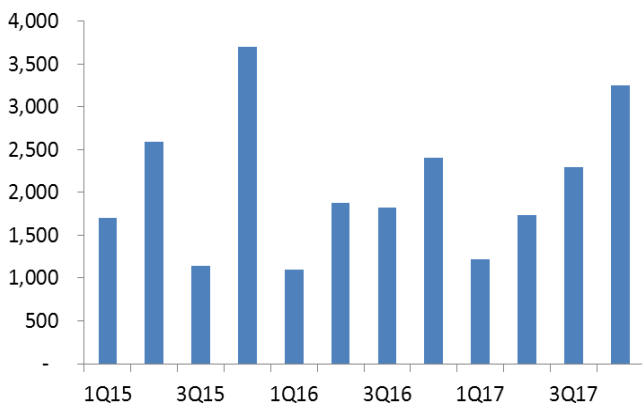
Source: Company, NHKS research

Net Profit (IDR bn) | FY 2013 - FY 2018E



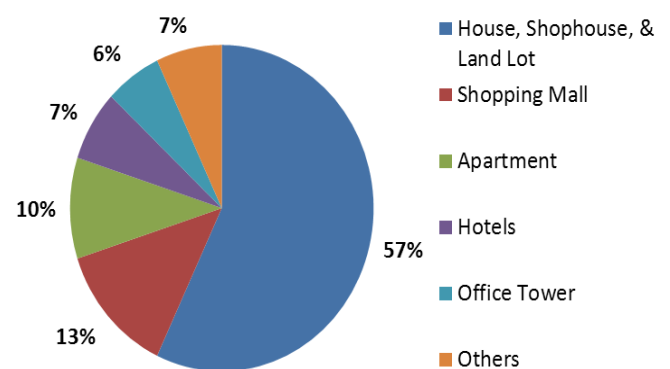
Source: Company, NHKS research

Quarterly Pre-Sales (IDR bn) | 1Q15 - 4Q17E



Source: Company, NHKS research

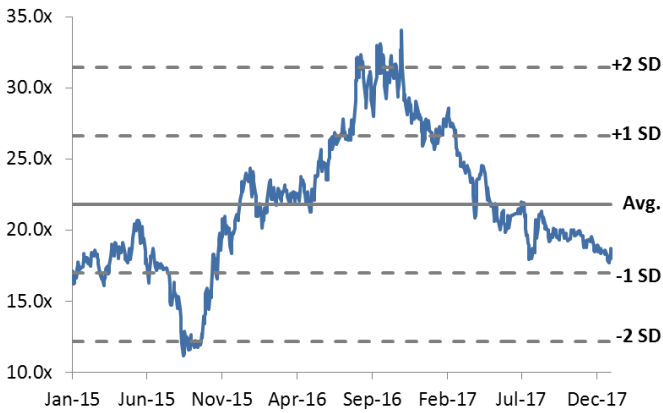
Sales Breakdown | 9M17



Source: Company

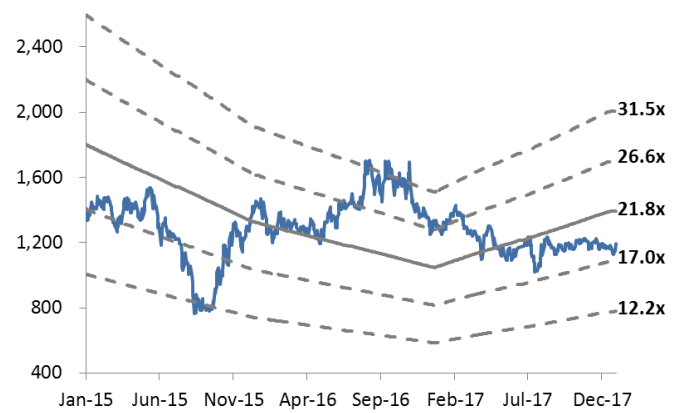
Multiple Valuation

Forward P/E band | Last 3 years



Source: NHKS research

Dynamic Forward P/B band | Last 3 years



Source: NHKS research

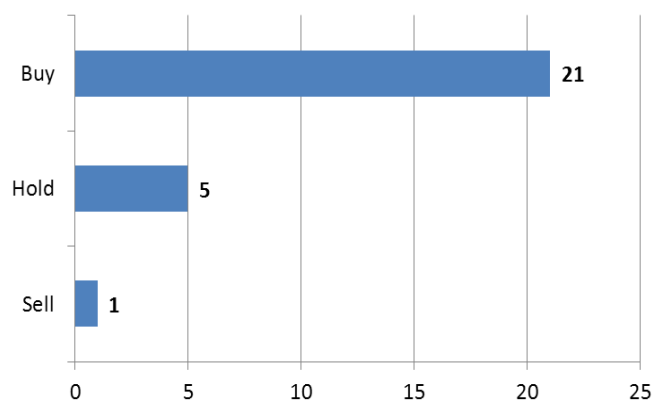
Rating and target price update

Target Price Revision

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
9/25/2017	Buy	1,550	1,155	1,487	+34.2%	+4.2%
11/23/2017	Buy	1,470	1,165	1,479	+26.2%	-0.6%
1/11/2018	Buy	1,440	1,195	1,416	+20.5%	+1.7%

Source: NHKS research, Bloomberg

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)	January 10, 2018	1,195
Target Price (IDR)	Dec 2018	1,440
Analyst: Raphon Prima	Rating:	Buy

INCOME STATEMENT

In IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Sales	6,739	6,052	6,936	7,191
Growth (% y/y)	-10.3%	-10.2%	14.6%	3.7%
COGS	(3,454)	(3,125)	(3,464)	(3,567)
Gross Profit	3,285	2,926	3,472	3,624
Gross Margin	48.7%	48.4%	50.1%	50.4%
Operating Expenses	(1,435)	(1,394)	(1,537)	(1,625)
EBIT	1,850	1,533	1,935	2,000
EBIT Margin	27.5%	25.3%	27.9%	27.8%
Depreciation	246	97	315	332
EBITDA	2,097	1,630	2,250	2,332
EBITDA Margin	31.1%	26.9%	32.4%	32.4%
Interest Expenses	(825)	(536)	(677)	(725)
EBT	1,501	1,297	1,640	1,702
Income Tax	(155)	(312)	(332)	(345)
Minority Interest	(237)	(93)	(124)	(129)
Net Profit	933	891	1,184	1,229
Growth (% y/y)	-27.3%	-4.5%	32.8%	3.8%
Net Profit Margin	13.9%	14.7%	17.1%	17.1%

BALANCE SHEET

In IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Cash	3,468	3,562	5,043	6,057
Receivables	938	883	1,092	1,187
Inventories	7,945	8,626	9,740	9,757
Total Current Assets	13,711	14,603	17,578	18,876
Net Fixed Assets	12,743	13,949	14,492	15,050
Other Non Current Assets	2,619	2,761	2,904	3,047
Total Assets	29,072	31,313	34,975	36,973
Payables	829	1,665	1,829	1,979
ST Debt	1,686	1,860	2,100	2,248
Other Current Liab.	4,796	4,118	5,768	5,742
LT Debt	4,976	6,544	6,909	7,375
Other Non Current Liab.	2,487	1,858	2,001	2,144
Total Liabilities	14,774	16,045	18,608	19,489
Shareholders' Equity	14,298	15,267	16,366	17,483

CASH FLOW STATEMENT

In IDR bn	2016/12A	2017/12E	2018/12E	2019/12E
Net Income	933	891	1,184	1,229
Deprec & Amortization	246	97	315	332
Chg. In Working Capital	(1,139)	841	320	(160)
CFO	41	1,829	1,819	1,401
Capex	(347)	(1,108)	(859)	(890)
CFI	(1,053)	(3,513)	(859)	(890)
Dividends Paid	(123)	(88)	(84)	(112)
Net Borrowing (PMT)	1,384	1,729	605	615
CFF	1,446	1,775	521	503
Net Changes in Cash	433	92	1,481	1,014

OWNERSHIP

By Geography	% Shareholders	%
Indonesia	76.1	PT Sang Pelopor 44.8
United States	11.3	PT Apratima 6.2
Luxembourg	4.2	Vanguard Group 2.8
Norway	4.0	Norges Bank 2.7

PROFITABILITY & STABILITY

	2016/12A	2017/12E	2018/12E	2019/12E
ROE	6.8%	6.0%	7.5%	7.3%
ROA	3.4%	3.0%	3.6%	3.4%
ROIC	8.4%	5.2%	6.3%	6.1%
EBITDA/Equity	15.3%	11.0%	14.2%	13.8%
EBITDA/Assets	7.6%	5.4%	6.8%	6.5%
Cash Dividend (IDR bn)	88	84	112	116
Dividend Yield (%)	0.4%	0.4%	0.5%	0.5%
Payout Ratio (%)	9.4%	9.4%	9.4%	9.4%
DER	47%	55%	55%	55%
Net Gearing	81%	86%	83%	80%
LT Debt to Equity	35%	43%	42%	42%
Capitalization Ratio	32%	36%	36%	36%
Equity Ratio	49%	49%	47%	47%
Debt Ratio	23%	27%	26%	26%
Financial Leverage	202%	204%	210%	213%
Current Ratio	188%	191%	181%	189%
Quick Ratio	60%	58%	63%	73%
Cash Ratio	47%	47%	52%	61%
Cash Conversion Cycle	747.2	876.9	835.5	860.6
Par Value (IDR)	100	100	100	100
Total Shares (mn)	15,425	18,560	18,560	18,560
Share Price (IDR)	1,335	1,185	1,195	1,195
Market Cap (IDR tn)	20.6	22.0	22.2	22.2

VALUATION INDEX

	2016/12A	2017/12E	2018/12E	2019/12E
Price /Earnings	22.1x	24.7x	18.7x	18.1x
Price /Book Value	1.4x	1.4x	1.4x	1.3x
Price/Revenue	3.1x	3.6x	3.2x	3.1x
PE/EPS Growth	-0.8x	-5.5x	0.6x	4.8x
EV/EBITDA	15.4x	19.8x	14.7x	14.4x
EV/EBIT	17.5x	21.1x	17.1x	16.8x
EV (IDR bn)	32,375	32,274	33,065	33,679
Sales CAGR (3-Yr)	9.9%	-1.5%	-2.6%	2.2%
EPS CAGR (3-Yr)	-1.5%	-12.4%	-2.7%	9.6%
Basic EPS (IDR)	61	48	64	66
Diluted EPS (IDR)	61	48	64	66
BVPS (IDR)	927	823	882	942
Revenue PS (IDR)	437	326	374	387
DPS (IDR)	6	5	6	6

DCF, RIM & EVA

	2016/12A	2017/12E	2018/12E	2019/12E
DCF (IDR bn)				
NOPAT	1,659	1,164	1,543	1,594
+Depr./Amor.	246	97	315	332
-CAPEX	(347)	(1,108)	(859)	(890)
-Incr. (Decr.) in Working Cap. (Unlevered) FCF	(1,139)	841	320	(160)
WACC	419	993	1,320	877
Cost of Debt (Tax Adj.)	9.5%	6.3%	7.3%	7.6%
Cost of Equity (COE)	10.5%	10.0%	9.5%	10.3%
WACC (%)	10.3%	9.0%	8.9%	9.4%
RIM				
Spread (FROE-COE) (%)	-3.4%	-3.7%	-1.8%	-2.8%
Residual Income (IDR bn)	(441)	(532)	(269)	(453)
Equity Charge (IDR bn)	1,374	1,424	1,453	1,681
EVA				
Invested Capital (IDR bn)	18,328	20,960	23,670	25,375
ROIC-WACC (%)	-1.2%	-3.4%	-2.4%	-3.2%
EVA (IDR bn)	(226)	(712)	(559)	(803)

DISCLAIMER

This report and any electronic access hereto are restricted and intended only for the clients and related entity of PT NH Korindo Sekuritas Indonesia. This report is only for information and recipient use. It is not reproduced, copied, or made available for others. Under no circumstances is it considered as a selling offer or solicitation of securities buying. Any recommendation contained herein may not be suitable for all investors. Although the information here is obtained from reliable sources, its accuracy and completeness cannot be guaranteed. PT NH Korindo Sekuritas Indonesia, its affiliated companies, respective employees, and agents disclaim any responsibility and liability for claims, proceedings, action, losses, expenses, damages, or costs filed against or suffered by any person as a result of acting pursuant to the contents hereof. Neither is PT NH Korindo Sekuritas Indonesia, its affiliated companies, employees, nor agents liable for errors, omissions, misstatements, negligence, inaccuracy arising herefrom.

All rights reserved by PT NH Korindo Sekuritas Indonesia