

Ciputra Development Tbk (CTRA IJ)

Strategizing to Attract Homebuyers

CTRA's performance in 2Q20 was supported by revenue from the development segment with an 89% contribution. The Landed house and shophouse segment was the only segments that grew during the PSBB period. 2Q20 income was booked at IDR1.29 trillion (-13.6% YoY), followed by the first net loss recorded by CTRA at IDR8 billion. Currently, there is a discourse on adding mortgages to the PEN program. If realized, this will be a positive sentiment, but CTRA will still have to set a strategy in order to attract homebuyers.

Landed House and Shophouse Segment Still Grow

CTRA booked 2Q20 income of IDR1.29 trillion or down 13.6% YoY (vs IDR1.49 trillion 2Q19). Development and recurring income overall booked a decline each by -17% and -74% YoY. However in 2Q20 with the implementation of PSBB, sales of landed house and shophouse recorded at IDR749 billion or up by 11.05% YoY, when other income segments fell by more than 30% YoY. Moreover, an increase in general and administrative expenses pushed OPM down to 16.4% in 2Q20 (vs 19.7% in 2Q19). CTRA booked a net loss in 2Q20 of IDR8 billion or under our profit expectation of IDR8 billion, making it CTRA's first net loss. Meanwhile in 1H20, CTRA's net profit was IDR169.4 billion (-43% YoY vs IDR 296.3 billion in 1H19).

Continues to Focus on End-Users as Target Market

CTRA marketing sales in 2020 was revised down to IDR4.51 trillion. Meanwhile until 1H20, its marketing sales has been booked at IDR2.02 trillion or 44.6% of the target. Housing and land products contribute to 92% of marketing sales, with the largest portion (35%) came from sales of units under IDR1 billion. Currently, CTRA is focused on lower middle class landed houses and subsidized houses aimed at end users. With that strategy, we believe that CTRA will be able to achieve marketing sales this year. We also consider that if CTRA offers more landed house products for the middle to upper class, it will be difficult to increase sales because people in that group tend to buy houses for investment, and in this condition they tend to hold their funds.

KPR will be in PEN

The government has launched a discourse to add the property sector into the National Economic Recovery (PEN) program where there will be a Payment Holiday program or deferred payment of principal and interest instalments specifically for the Housing Loan (KPR) with a maximum amount of IDR500 million. If the program can be implemented, we think it will be a positive sentiment for CTRA, where the portion of payment methods for marketing sales in 1H20 using KPR is at 56%. On the other hand, in order to make this program successful, CTRA must have a strategy to increase homebuyers interests which are still low due to the threat of economic downturn caused by the pandemic.

Maintain BUY with TP Rp780

We lowered CTRA performance estimate for FY20, considering the 2Q20 performance was below our expectation. We revised downward the FY20 revenue and profit to Rp5.51 trillion (-17.7%) and Rp619 billion (-46.5%), respectively. We maintain our BUY recommendation by lowering the target price to IDR780 using an estimate of discount to NAV of 86% (0.7 SD above the average for the last 3 years). We are considering the landed house business that potentially still growing until the end of the year, especially if the addition of mortgage loans to the PEN program is realized.

Ciputra Development Tbk | Summary

	2019A	2020F	2021F	2022F
Revenue	7,608	5,509	7,218	6,359
Growth (%)	-0.8%	-27.6%	7.8%	8.9%
EBITDA	2,500	1,664	2,391	2,135
Net Profit	1,158	619	1,026	856
EPS (IDR)	62	33	55	46
Growth (%)	-2.3%	-46.5%	27.0%	8.9%
P/E	16.7x	23.4x	18.4x	16.9x
P/BV	1.1x	0.8x	0.8x	0.8x
EV/EBITDA	9.7x	11.4x	9.1x	8.7x
ROE (%)	6.7%	3.5%	4.4%	4.6%
DER (%)	51.7%	56.0%	56.0%	58.5%
Net Debt	4,938	4,533	4,249	4,056

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Update | Sept 24, 2020

BUY

Target Price (IDR)	780
Consensus Price (IDR)	881
TP to Consensus Price	-11.5%
vs. Last Price	+20.9%

Shares data

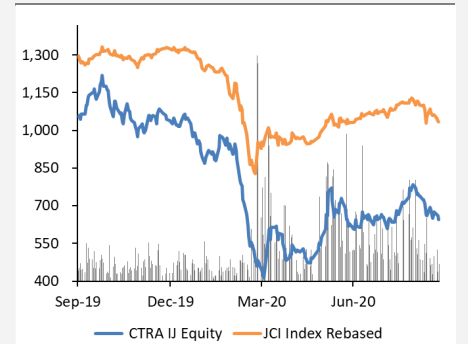
Last Price (IDR)	665
Price Date as of	Sept 23, 2020
52 wk Range (Hi/Lo)	1,220/412
Free Float (%)	47.1
Outstanding sh. (mn)	18,560
Market Cap. (IDR bn)	11,560
Market Cap. (USD mn)	777
Avg. Trd Vol - 3M (mn)	41.67
Avg. Trd Val - 3M (bn)	28.16
Foreign Ownership	20.1%

Property

Real Estate Owner & Developer

Bloomberg	CTRA IJ
Reuters	CTRA.IK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-37.1%	-12.2%	0%	-39.7%
Rel. Ret.	-15.3%	-5.4%	0%	-19.8%

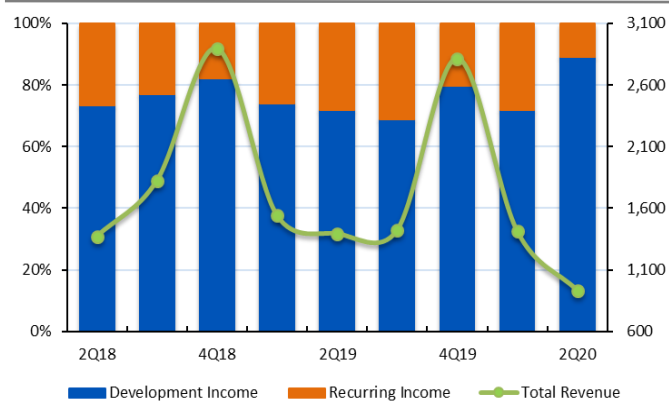
Ajeng Kartika Hapsari

(021) 5088 9130

ajeng@nhsec.co.id

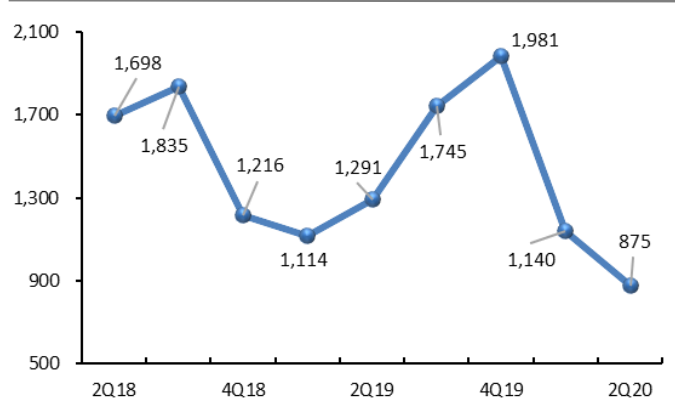
Performance Highlights in Charts

CTRA Quarterly Income (IDR bn) | 2Q18 - 2Q20



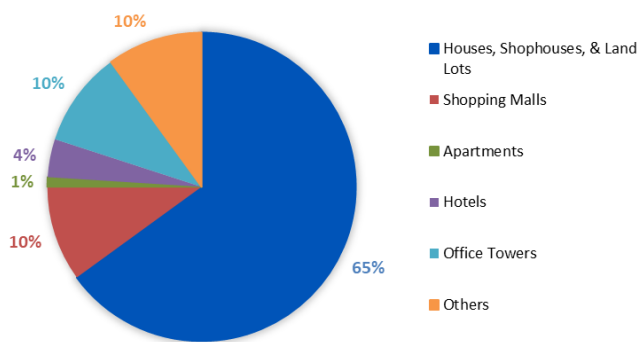
Source: Company Data, NHKSI Research

CTRA Quarterly Marketing Sales | 2Q18 - 2Q20



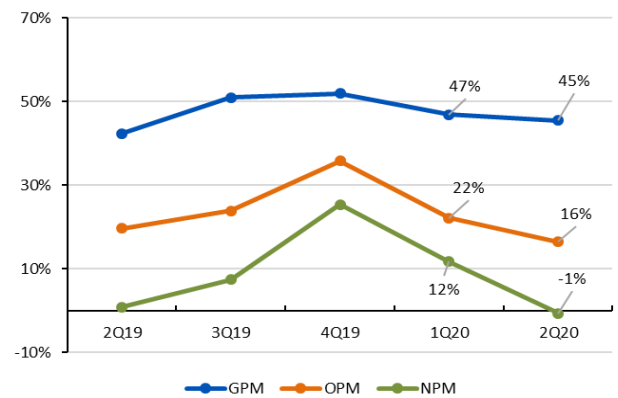
Source: Company Data, NHKSI Research

6M20's Revenue Breakdown



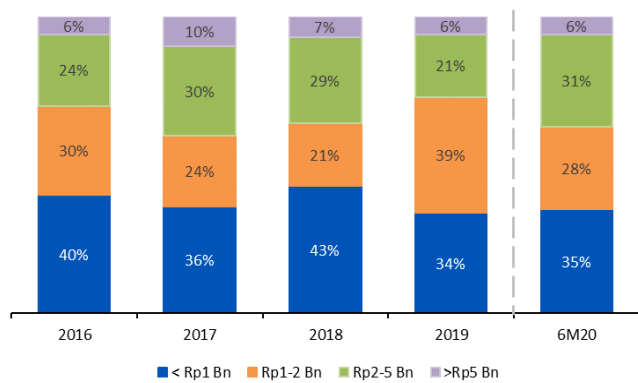
Source: Company Data, NHKSI Research

Margin Ratio



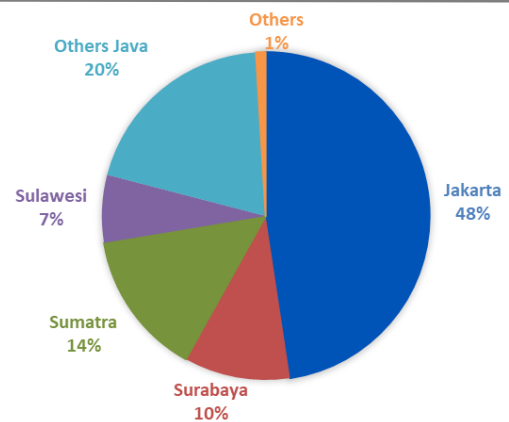
Source: Company Data, NHKSI Research

Pre Sales per Unit Price



Source: Company Data, NHKSI Research

Pre Sales per Location



Source: Company Data, NHKSI Research

Quarterly Review

	2Q19	3Q19	4Q19	1Q20	2Q20					3Q20E
					Actual	Estimate	Y-Y	Q-Q	Surprise	
Income statement										
Revenue	1,499	1,510	2,953	1,510	1,295	1,264	-13.6%	-14.3%	2.4%	1,201
Gross Profit	635	769	1,534	705	589	617	-7.3%	-16.9%	-4.6%	580
EBIT	295	360	1,058	335	231	260	-27.9%	-36.5%	-18.2%	255
EBITDA	378	433	1,129	410	289	340	-24.4%	-30.3%	-15.7%	332
Net Profit	13	113	749	178	-8	8				62
Margin (%)										
Gross Margin	42.4%	50.9%	51.9%	46.9%	45.5%	48.8%	3.1%	-1.5%	-6.9%	48.3%
EBIT Margin	19.7%	23.9%	35.8%	22.2%	16.4%	20.6%	-3.3%	-5.8%	-20.1%	21.2%
EBITDA Margin	25.3%	28.7%	38.2%	27.2%	22.1%	26.9%	-3.1%	-5.1%	-17.7%	27.6%
Net Profit Margin	0.9%	7.5%	25.4%	11.8%	-0.6%	0.6%	-1.5%	-12.4%	-195.4%	5.2%

Unit: IDR bn, %

Source: Company Data, NHKSI Research

Revisions to Earnings

		2020F	2021F	2022F
Income Statement				
Revenue	-Revised	5,509	5,840	6,359
	-Previous	6,695	7,218	7,635
	-Change	-17.7%	-19.1%	-16.7%
Gross Profit	-Revised	2,683	2,886	3,068
	-Previous	3,354	3,590	3,783
	-Change	-20.0%	-19.6%	-18.9%
EBIT	-Revised	1,374	1,728	1,807
	-Previous	1,896	2,068	2,147
	-Change	-27.5%	-16.4%	-15.8%
EBITDA	-Revised	1,664	2,049	2,135
	-Previous	1,191	2,391	2,479
	-Change	-24.1%	-14.3%	-13.9%
Net Profit	-Revised	619	787	856
	-Previous	1,158	961	1,026
	-Change	-46.5%	-18.1%	-16.5%
Margin				
Gross Margin	-Revised	48.7%	49.4%	48.3%
	-Previous	50.1%	49.7%	49.6%
EBIT Margin	-Revised	24.9%	29.6%	28.4%
	-Previous	28.3%	28.6%	28.1%
EBITDA Margin	-Revised	30.2%	35.1%	33.5%
	-Previous	32.7%	33.1%	32.5%
Net Profit Margin	-Revised	11.2%	13.5%	13.5%
	-Previous	17.3%	13.3%	13.4%

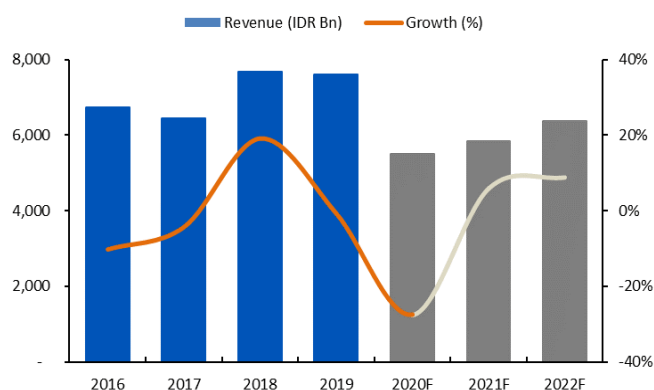
Unit: IDR bn, %

Source: Company Data, NHKSI Research

Company Overview

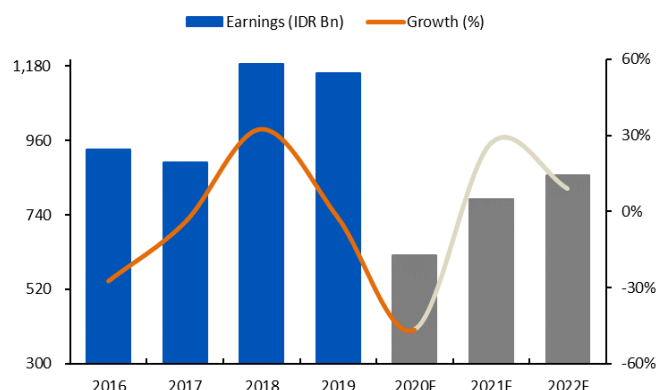
- On October 22, 1981 established company named PT Citra Habitat Indonesia which changed to be PT Ciputra Development (CTRA) in 1990.
- CTRA was listed on Indonesia Stock Exchange (IDX) in 1994.
- CTRA has 3 (three) subsidiaries engaged in residential property and 6 (six) subsidiaries engaged in commercial 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

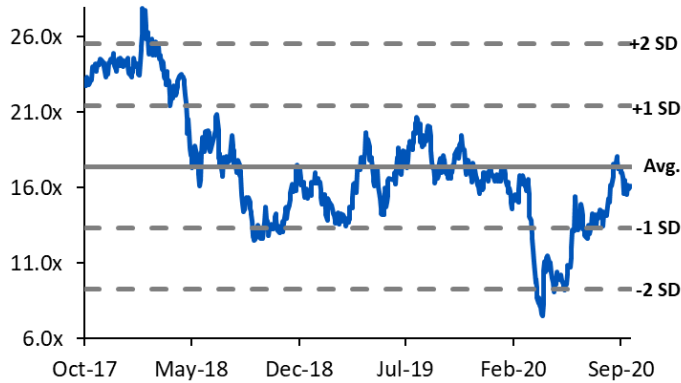
	Market Cap (USD mn)	Asset (USD mn)	Sales Growth	Gross Margin	Operating Margin	Net Profit Growth	ROE (LTM)	P/E (LTM)	P/BV
Indonesia									
PT Bumi Serpong Damai Tbk	1,035	3,932	6.88%	71.5%	35.7%	-79.5%	2.1%	22.7x	0.5x
PT Ciputra Development Tbk	777	2,614	-0.81%	50%	28.7%	-21.0%	7.0%	11.2x	0.8x
PT Pakuwon Jati Tbk	1,116	1,885	1.71%	56%	42.5%	-33.9%	13.2%	9.1x	1.2x
PT Summarecon Agung Tbk	498	1,765	4.95%	48%	26.7%	-27.6%	5.3%	19.7x	1.0x
Singapore									
Capitaland Ltd	10,095	61,242	11.29%	48%	64%	-20.8%	5.9%	9.9x	0.6x
Malaysia									
SP Setia Bhd	711	7,345	9.33%	26%	19%	-81.2%	0.0%	25.1x	0.2x
IOI Properties Group Bhd	1,216	7,908	-3.69%	54%	38%	-31.1%	2.4%	11.1x	0.3x
Thailand									
Land & Houses PUB Co Ltd	2,648	3,802	-12.4%	32.2%	30%	10.0%	18.4%	9.2x	1.7x
WHA Corp PCL	1,335	2,765	24.42%	39%	27%	-26.4%	8.5%	17.3x	1.5x
Philippines									
Megaworld Corp	1,952	6,896	15.13%	60%	38%	-8.0%	8.6%	6.4x	0.5x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

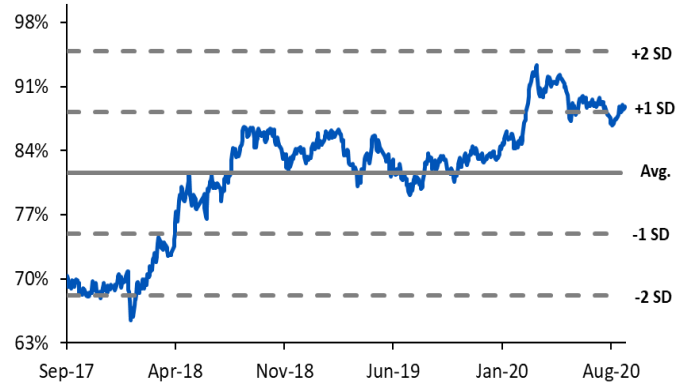
Valuation Highlights in Charts

3-Year Forward P/E Band



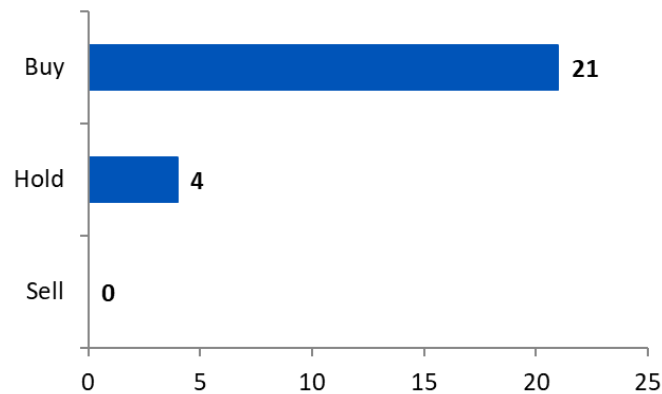
Source: Bloomberg, NHKSI Research

3-Year Discount to NAV Band



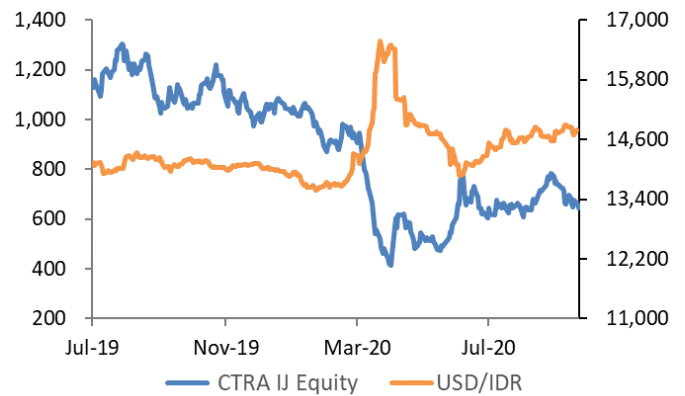
Source: Bloomberg, NHKSI Research

Analysts' Recommendation



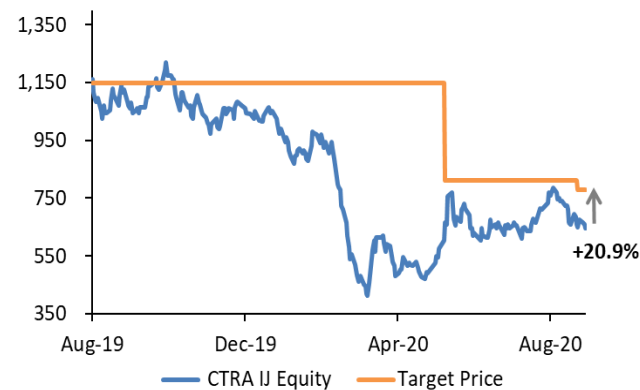
Source: Bloomberg, NHKSI Research

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

Source: NHKSI Research

NHKSI 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%.

Summary of Financials

INCOME STATEMENT

In IDR bn	2019/12A	2020/12E	2021/12E	2022/12E
Revenues	7,608	5,509	5,840	6,359
Growth (% y/y)	-0.8%	-27.6%	6.0%	8.9%
COGS	(3,816)	(2,827)	(2,954)	(3,290)
Gross Profit	3,792	2,683	2,886	3,068
Gross Margin	49.8%	48.7%	49.4%	48.3%
Operating Expenses	(1,551)	(1,309)	(1,158)	(1,261)
EBIT	2,240	1,374	1,728	1,807
EBIT Margin	29.4%	24.9%	29.6%	28.4%
Depreciation	259	290	322	328
EBITDA	2,500	1,664	2,049	2,135
EBITDA Margin	32.9%	30.2%	35.1%	33.6%
Interest Expenses	(923)	(795)	(895)	(909)
EBT	1,608	817	1,071	1,165
Income Tax	(325)	(164)	(216)	(234)
Minority Interest	(125)	(34)	(68)	(74)
Net Profit	1,158	619	787	856
Growth (% y/y)	-2.3%	-46.5%	27.0%	8.9%
Net Profit Margin	15.2%	11.2%	13.5%	13.5%

PROFITABILITY & STABILITY

	2019/12A	2020/12E	2021/12E	2022/12E
ROE	6.7%	3.5%	4.4%	4.6%
ROA	3.3%	1.6%	1.9%	2.0%
ROIC	6.6%	4.0%	4.9%	4.8%
Cash Dividend (IDR bn)	185	149	59	115
Dividend Yield (%)	1.0%	1.0%	0.4%	0.8%
Payout Ratio (%)	16.0%	24.1%	7.5%	13.4%
DER	52%	56%	56%	59%
Net Gearing	111%	118%	124%	134%
LT Debt to Equity	44%	46%	46%	46%
Capitalization Ratio	34%	36%	36%	37%
Equity Ratio	49%	44%	44%	43%
Debt Ratio	25%	25%	25%	25%
Financial Leverage	153%	215%	227%	232%
Current Ratio	2.17	2.30	2.32	2.28
Par Value (IDR)	250	250	250	250
Total Shares (mn)	18,560	18,560	18,560	18,560
Share Price (IDR)	1,040	780	780	780
Market Cap (IDR tn)	19.3	14.5	14.5	14.5

BALANCE SHEET

In IDR bn	2019/12A	2020/12E	2021/12E	2022/12E
Cash	4,238	5,215	5,939	7,004
Receivables	1,173	942	980	1,162
Inventories	10,661	12,248	12,686	13,359
Total Current Assets	18,195	20,541	21,753	23,685
Net Fixed Assets	15,189	15,602	16,105	16,589
Other Non Current Assets	2,812	3,242	3,672	4,102
Total Assets	36,196	39,385	41,530	44,376
Payables	1,838	855	1,114	1,329
ST Debt	1,434	1,708	1,785	2,323
LT Debt	7,742	8,041	8,403	8,737
Total Liabilities	18,434	21,976	23,339	25,470
Capital Stock + APIC	8,232	8,232	8,232	8,232
Retained Earnings	7,146	6,903	7,631	8,374
Shareholders' Equity	17,762	17,408	18,192	18,906

VALUATION INDEX

	2019/12A	2020/12E	2021/12E	2022/12E
Price /Earnings	16.7x	23.4x	18.4x	16.9x
Price /Book Value	1.1x	0.8x	0.8x	0.8x
Price/Revenue	2.5x	2.6x	2.5x	2.3x
PE/EPS Growth	-7.2x	-0.5x	0.7x	1.9x
EV/EBITDA	9.7x	11.4x	9.1x	8.7x
EV/EBIT	10.8x	13.8x	10.8x	10.3x
EV (IDR bn)	24,241	19,010	18,726	18,533
Revenue CAGR (3-Yr)	4.1%	-5.1%	-8.7%	-5.8%
EPS CAGR (3-Yr)	7.4%	-11.5%	-12.8%	-9.6%
Basic EPS (IDR)	62	33	42	46
Diluted EPS (IDR)	62	33	42	46
BVPS (IDR)	957	938	980	1,019
Revenue PS (IDR)	410	297	315	343
DPS (IDR)	10	8	3	6

CASH FLOW STATEMENT

In IDR bn	2019/12A	2020/12E	2021/12E	2022/12E
Operating Cash Flow	980	1,058	1,017	794
Investing Cash Flow	(582)	(567)	(729)	(460)
Financing Cash Flow	604	478	435	731
Net Changes in Cash	1,001	968	723	1,065

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

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