

Premier Insight

21 June 2017

Ciputra Development (CTRA JJ; Buy)

Strong May presales albeit still below target

- Property pre sales of Rp2.6tn up to May were flat yoy
- Four new launches in 2H17 to catch up FY17 sales target
- Conservative FY17 earnings guidance
- We cut our earnings and TP to Rp1,370 (Rp1,560 previously)

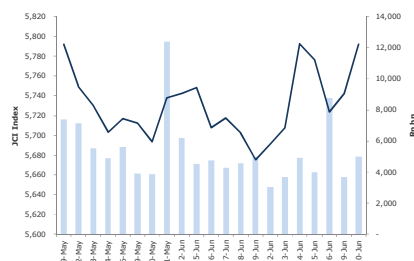
5M17 marketing sales were flat yoy. Ciputra Development (CTRA) reported strong pre sales in May 2017 alone of Rp1tn (vs. Rp400bn in April 2017), thanks to successful kick off of Citraland Cibubur in Bogor, West Java, intended for middle –low market segment and Citraland Talassa city in Makassar which aims to attract the middle class. The two residential projects are being developed under a joint operation scheme and managed to sell 157 unit in Citraland Cibubur and 170 units in Citraland Talassa city. Together, they contributed around Rp600bn of May 2017 marketing sales, while remaining (Rp400bn) was topped by growing take up from existing project, significantly Maja and Surabaya. Despite the good take up, CTRA's 5M17 pre sales was flat yoy at Rp2.6tn, thus posted weak achievement of only 31% of FY17 target, which is lower compared to last year at 39%.

Four new launches in 2H17. To achieve remaining FY17 target, CTRA plans to launch four new projects, namely: Sadana Ciputra Beach Resort in Bali, two high rise projects in South Jakarta (The Newton 2 apartment and The Suites apartment), and a mixed use project consisting of three apartment towers and commercial in Batam. CTRA has received outstanding demand in Bali for both Levata and Sadana clusters, thus optimistic to sell the Newton 2 given its affordable price, strategic location and successful launch of the Newton 1. On the other hand, company will also launch cluster in existing project, namely: Maja and Surabaya after Eid Al Fitr.

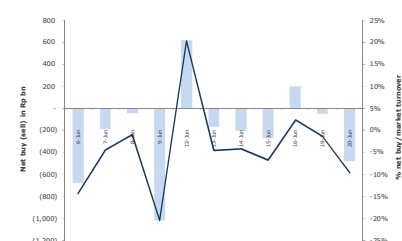
Conservative earnings guidance. The slow economy growth and weak property demand has led to more conservative guidance from the company this year, with revenue of only Rp7tn (+4% yoy) and moderate increase in net profit to Rp900bn (+13% yoy). However, company believe FY18 revenue to raise 20-25% yoy due to massive unit handover resulted from pre sales FY15.

We cut our earnings by 50/49% for FY17/18F, cut TP to Rp1,370. We cut our marketing sales target to Rp7.7tn (+14% yoy) from Rp8.5tn on the back of weak achievement of 5M17 which resulted in relatively flat yoy earnings in FY17. As such, we apply higher discount rate and came to our new TP of Rp1,370 from Rp1,560 previously. Even so, we still like CTRA given its diversified portfolio and exposure to resilient end buyer in middle – low class. CTRA is now trading at 69% discount to our calculated RNAV. Maintain Buy.

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,792	0.9%	18.7%	9.3%
LQ45	974	1.1%	17.0%	10.1%
DJI	21,467	-0.3%	20.4%	8.6%
SET	1,579	-0.2%	10.3%	2.3%
HSI	25,843	-0.3%	25.0%	17.5%
NKY	20,230	0.8%	25.1%	5.4%
FTSE	7,473	-0.7%	20.0%	4.6%
FSSTI	3,230	-0.5%	15.8%	12.1%
EIDO	27	-0.8%	14.0%	11.5%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	43.2	-2.2%	-12.4%
CPO/tonne	574.8	-0.9%	2.7%
Soy/bushel	9.0	-1.1%	-20.8%
Rubber/kg	1.8	-3.5%	11.1%
Nickel/tonne	8,769	-2.1%	-5.1%
Tins/tonne	19,625	-0.3%	15.4%
Copper/tonne	5,631	-1.3%	21.5%
Gold/try.oz (Spot)	1,243	0.0%	-2.0%
Coal/tonne	80.8	-0.6%	52.8%
Corn/bushel	3.4	-1.5%	-16.8%
Wheat/bushel*	138.4	-5.5%	-15.3%

* : 1 month change

Source : Bloomberg

Year To 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue(RpBn)	7,514	6,739	6,939	8,565	10,486
EBITDA(RpBn)	2,224	1,663	1,520	1,967	2,506
EBITDA Growth (%)	5.9	(25.2)	(8.6)	29.4	27.4
Net Profit(RpBn)	1,283	862	868	1,138	1,546
EPS (Rp)	69	46	47	61	83
EPS Growth (%)	(2.9)	(32.8)	0.8	31.1	35.8
Net Gearing (%)	17.2	22.3	34.0	33.9	33.3
PER (x)	16.6	24.7	24.5	18.7	13.7
PBV (x)	1.6	1.5	1.4	1.3	1.1
Dividend Yield (%)	1.0	2.0	1.4	1.4	1.8
EV/EBITDA (x)	8.5	10.9	10.5	7.9	6.0

Source : CTRA, IndoPremier

Share Price Closing as of : 19-June-2017

Refer to Important disclosures in the last page of this report

News & Analysis

Corporates

BBTN: Bank Tabungan (BBTN IJ; Rp2,660; Buy) plans for a major capital increase through sub-debt or rights issuance to move into a BUKU4 banking category by 2020. However, this plan will have to wait for completion of the govt's consolidation of SOE banks through a bank holding company. BBTN aims to increase its capital to meet the Rp30tn minimum capital to qualify as BUKU4 banks vs. its current equity capital of Rp19.2tn in 1Q16 (Bisnis Indonesia).

Comment: We believe this news is neutral for the stock as this is a long-term plan needed to support its strong loan growth on the back of the govt's One Million Per Year housing program. We keep our Buy rating.

BNLI: Bank Permata (BNLI IJ; Rp685; Not Rated) indicated net profit of Rp582bn up to May (5M16: loss of Rp775bn) and targets its NPL ratio to fall to below 5% by end 2017 (4Q16: 8.8%; 1Q17: 6.4%) through NPL restructuring and sales. (Investor Daily).

Comment: BNLI's profit recovery this year, which is as we expected, was largely driven by a steep fall in loan provisioning while its core profit (PPOP) was weak due to its shrinking loan portfolio. As of April, the bank's PPOP fell 3% yoy to Rp1.7tn in 4M17 as a steep decline in net interest income (-16% yoy) on the back of 21% yoy decline in loan portfolio was mitigated by non-interest income (Rp589bn) from NPL sales and its flat operating cost.

PTPP: PT Pembangunan Perumahan (PTPP IJ; Rp3,200; Buy) will allocated capex of Rp7tn to invest in Probolinggo – Banyuwangi (100 km), Semarang – Demak (30 km), and Gempol – Mojokerto (35 km) toll road. Source of funding may come from bank loan. PTPP is still considering whether to become minority or majority shareholder in those routes given company already owned minority shares in other six routes. Until May 2017, PTPP has secured Rp12.6tn (+77% yoy) and 31% of FY17 target. (Bisnis Indonesia)

UNVR: Unilever Indonesia's (UNVR IJ; Rp48,250; Hold) AGM has approved dividend with a total amount of Rp3.5tn (~54.7% of FY16 earnings), which translates to Rp460 per share (0.95% dividend yield at share price of Rp48,250). (Investor Daily)

Comment: We are still waiting for the recovery in consumer purchasing power. At this stage, maintain HOLD.

Markets & Sector

Automotive sector: Total 4W sales volume hit 93.6k units or grew +13.4% mom with Astra's sales volume dropped by -0.5% mom and other brands grew +35.1% mom. Cumulatively 4W sales volume touched 458.8k units (+4.2% yoy) in the first five months of this year. Astra outperformed the industry with growth of 17.0% yoy with other brands declining -9.0% yoy.

Comment: We remained confident 4W sales to reach 1.15-1.2mn units in FY17. Strong mom growth of other brands is a low base recovery, which is not an imminent threat to Astra. Market will remain competitive in the coming months as Mitsubishi will launch its mid MPV and Wuling also to fill in the market segment. However, we strongly believe in brand equity of Toyota-Daihatsu that will win over competition. We remain with our Buy call on Astra TP Rp9,800.

	Apr-17	May-17	% +/-	May-16	% +/-	5M16	5M17	% +/-
Astra	50,319	50,071	-0.5%	49,034	2.1%	223,632	261,648	17.0%
Others	32,269	43,590	35.1%	39,494	10.4%	216,706	197,129	-9.0%
Total	82,588	93,661	13.4%	88,528	5.8%	440,338	458,777	4.2%

Source: Gaikindo

Economic

Current Account: Bank Indonesia predicts that current account deficit in the second quarter will be twofold from the previous quarter due to two causes, which are enlarging import prior to *Ramadan* and *Eid al-Fitr* and the obligation to pay dividend and interest to foreign. In capital account, it is also said that inflow ytd (until June 11) has reached Rp121tn, two times the same period last year. (Kontan)

Comment: The twofold increase is from a low base current account deficit recorded in 1Q17 (~1% of GDP), which is one of the lowest recorded within the last five years. A strong capital inflow, we believe, would help support the rupiah to prevail around our expected range of 13,200-13,800.

Economic growth: According to Bank Indonesia, The economy is expected to grow by 5.1% in 2Q17, a downward revision from previous prediction of 5.1% due to investment in non-building category, which is lower than expected. Consumption, on the other hand, remains robust and growing by 5% yoy, albeit also lower than expectation of 5.1% yoy growth. Growth is seen to result to 5.0-5.2% FY17. (Investor Daily)

Comment: This is a second news we obtain this week regarding economic growth which is conflicting the first news. The first news said that BI expects growth this quarter to result be lower than 5.11% and economic growth to remain within the ban of 5-5.4%. We need to confirm BI regarding the two different news.

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INVESTMENT RATINGS

BUY : Expected total return of 10% or more within a 12-month period
HOLD : Expected total return between -10% and 10% within a 12-month period
SELL : Expected total return of -10% or worse within a 12-month period

ANALYSTS CERTIFICATION.

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