

Ciputra Development (CTRA IJ; Buy)

Strong 1H17 earnings

- Revised 1H17 net profit to Rp340bn (Rp272bn previously)
- Monthly marketing sales pick-up in July 2017
- Expecting better performance in FY18
- Maintain earnings unchanged and BUY at Rp1,355/share

Strong 1H17 earnings. We reissued our Ciputra Development (CTRA) result note with revised 1H17 net profit of Rp340bn (+43% yoy) from previously of Rp272bn (+14% yoy). The change was due to the company's misstated minority interest. The revised net profit came strong by forming 39/38% of our and management guidance, and in-line with consensus. 1H17 earnings growth was driven by other income that jumped nearly three folds to Rp24bn and gain on investment associates of Rp66bn that resulted in higher net margin at 9.6% (vs. 8.3% in 1H16). Company saw declining revenue growth by 2% yoy and improving gross margin to 49.6% (vs. 49% in 1H16), but was offset by higher operating expense that led to lower operating margin of 20.8% from 22.1% in 1H16.

Monthly marketing sales pick-up in July 2017. CTRA accumulated Rp364bn (+17% mom) of pre sales in July 2017 alone with overall 7M17 marketing sales at Rp3.3tn, lower 3% yoy. This has formed 39% of company FY17 and 42% of our expectation, still lower compared to 7M16 at 50% of FY16 marketing sales. Most of sales were driven by Greater Jakarta and Surabaya by 46%, followed by Inner Java cities by 20% and Sumatra by 8%. The company still plans to launch projects in 2H17 consist of two apartment towers in South Jakarta which expected to generate ~Rp400bn of pre-sales, and a mixed use project in Batam that expected to raise ~Rp300bn of pre-sales.

Expecting better performance in FY18. Despite conservative FY17 earnings guidance, we expect company to book revenue and earnings growth of 23% and 31% yoy in FY18 to Rp8.6tn and Rp1.1tn as company is due to recognize its bulk revenue from massive unit handover from pre sales FY15. We also noticed telltale sign of recovery on middle – upper property market from successful launching of Fifty Seven Promenade apartment tower in Kebon Melati, Jakarta. This might indicate returning demand for upper class that might benefit CTRA for its upcoming launch of The Newton 2 tower.

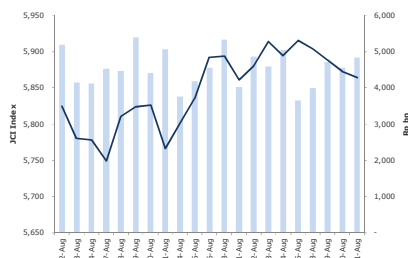
Maintain earnings unchanged and BUY at TP of Rp1,355. We maintain our BUY call on CTRA and leave earnings unchanged. In our view, CTRA may also benefit from upcoming new Loan to Value (LTV regulation) which might allow different LTV based on region's economy growth and other related conditions. This regulation may stimulate property demand in regions which in turn should benefit CTRA given its diversified flagships in many of Indonesia cities. CTRA is currently trading at 68% discount to our estimated RNAV, reiterate BUY.

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)	17.1	25.5	25.3	19.3	14.2
PBV (x)	1.7	1.5	1.4	1.3	1.2
Dividend Yield (%)	1.0	2.0	1.3	1.3	1.8
EV/EBITDA (x)	8.3	11.0	10.7	8.9	7.4

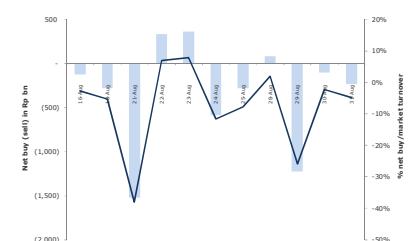
Source : CTRA, IndoPremier

Share Price Closing as of : 30-August-2017

JCI Index



Foreign net buy (sell)



Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,864	-0.1%	9.9%	10.7%
LQ45	977	-0.2%	6.7%	10.5%
DJI	21,988	0.2%	18.9%	11.3%
SET	1,618	0.1%	6.4%	4.9%
HSI	27,953	-0.1%	20.1%	27.1%
NKY	19,691	0.2%	16.3%	2.6%
FTSE	7,439	0.1%	7.9%	4.1%
FSSTI	3,277	0.4%	16.4%	13.8%
EIDO	27	0.7%	4.8%	12.2%

Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	47.3	0.1%	9.6%
CPO/tonne	635.4	0.0%	7.7%
Soy/bushel	9.3	0.4%	-2.0%
Rubber/kg	1.9	0.9%	11.4%
Nickel/tonne	11,973	2.0%	21.5%
Tins/tonne	20,830	-0.2%	8.7%
Copper/tonne	6,805	0.7%	47.3%
Gold/try.oz (Spot)	1,325	0.3%	0.0%
Coal/tonne	95.8	0.5%	38.7%
Corn/bushel	3.2	0.9%	11.0%
Wheat/bushel*	146.5	5.8%	-7.0%

* : 1 month change

Source : Bloomberg

News & Analysis

Corporates

ANTM: Aneka Tambang (ANTM IJ; Rp740; Not Rated) recorded net loss of Rp496bn in 1H17, from net profit of Rp11bn posted in 1H16. Operating loss improved slightly to Rp231bn in 1H17, from operating loss of Rp251bn recorded in 1H17. We note that revenues of Rp3.01tn (-28% yoy) and gross profit of Rp135bn (+12% yoy) are not sufficient enough to cover operating expenses of Rp231bn (-8% yoy) in 1H17. (Kontan)

Comment: Despite expanding losses, the sentiment for ANTM might be positive on the back of stronger nickel and gold prices. However, we believe ANTM will underperform the mining peers due to its lower operating achievements.

MIKA: Mitra Keluarga Karyasehat (MIKA IJ; Rp2,270; Buy) reported earnings of Rp353bn (-5% yoy) with net margin fell to 28.5% in 1H17 from 29.5% in 1H16. 2Q17 earnings stands at Rp167bn (-9% qoq). The weak earnings triggered by lower revenue of Rp1.23tn (-2% yoy) in 1H17 which resulted in lower gross and operating margin to 48.4% and 30.3% in 1H17 (vs. 48.6% and 31.4% in 1H16). (Company)

Comment: 1H17 earnings result was lower from ours and consensus estimates. The poor performance in were driven by lower inpatient revenue (-13% yoy) caused by lower inpatient admission (-14% yoy) despite higher ASP imposed in 1H17. As a result, bed occupancy ratio (BOR) dropped to 57.7% from 71% in 1H16. We will re-visit our earnings estimates based on this set of new developments.

PGAS: Perusahaan Gas Negara (PGAS IJ; Rp2,120; Hold) has released its financial result which was below our expectation. Net income was down -65.8% yoy in 1H17 due to weak distribution volume and lower distribution margin. Distribution volume dropped -5.9% yoy in 1H17 and 8.2% qoq in 2Q17. Meanwhile distribution margin was squeezed -1.9% yoy in 1H17 but went up 14.7% qoq in 2Q17. Overall, revenue was down -2.0% yoy in 1H17 with EBITDA also down by -1.6% yoy. The result was below expectation as the company continued to book oil asset write-off of US\$16.7mn in 1H17, despite improvement in oil price. Income contribution was Nusantara Regas was down -40.6% to US\$21.5mn in 1H17, due to lower contribution from Nusantara Regas, while lease income was also down -19.7% yoy to US\$26.4mn. Gross loss was recorded of US\$1.0mn from the oil assets in 1H17 due to increase of depreciation. EBITDA from oil assets were up +82.8% yoy to US\$146mn.

	1H17	1H16	%	2Q17	1Q17	%	FY17F
Turnover	1,411	1,439	-2.0%	665	746	-10.9%	2,858
EBITDA	424	431	-1.6%	170	254	-33.1%	710
Operating Profit	179	254	-29.4%	29	151	-80.9%	347
Net Int. & Invest. Inc.	(68)	(53)	27.6%	(42)	(26)	63.1%	(86)
Forex gain (losses)	(23)	(67)	-66.3%	(6)	(17)	-67.4%	(9)
Except. & Others	19	44	-57.1%	1	18	na	57
Group Pretax	108	178	-39.4%	(18)	126	-114.3%	309
Taxation	(55)	(24)	134.4%	(27)	(29)	na	(45)
Minorities	0	0	nm	0	0	na	-
Net Profit	53	155	-65.8%	(45)	98	-145.8%	264
<i>EBITDA Margin</i>	30.0%	29.9%		25.6%	34.0%		24.8%

Source: Company

Markets & Sector

Infrastructure sector: Financial closing is expected to completed by September for 3 projects, namely Waskita Toll Road Phase II (9 segment), Kertajati International Airport, and PP Energi power plant in Meulaboh, Aceh. Ministry of National Development Planning (Bappenas) targets Non-budgeted Infrastructure Financing (PINA) scheme to help approximately Rp10tn for the fund the three projects. (Bisnis Indonesia)

Economic

Economic package: The govt launched on Thursday (31/08) the 16th economic package pertaining business license issuance from central to regional government level. The package is issued in two stages: first stage is related with technicalities such as of founding a specific task force dedicated to tackle obstacles related to licensing, provision checklist of investment supporting documents, and implementation of data sharing mechanism; whereas the second stage focuses more on the strategic issue, such as to reform regulation in both national and regional levels and the implementation of single-submission licensing where licenses will be attempted to be synchronised in technicalities and decision making. (Detik)

Comment: Generally, the package should send positive signal to the market, notably as Jokowi launched this along with his address in the IDX, which pushed for more speed in licensing delivery (case in point was asset-backed securities KIK-EBA for Jasa Marga (JSMR IJ; Rp5,825: Buy). We are yet to review the economic packages launched so far.

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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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