



PT Wijaya Karya (Persero), Tbk

HOLD

Investment Consideration

Targeting order book 49 trn

WIKA is targeting to receive an order book worth IDR.49,97 trn in 2014 which comprised of new contracts worth IDR. 25,83 trn and carry-over contracts worth IDR. 24,14 trn. As of Sept 2014, WIKA has achieved IDR11,4 trn or 44% of new contracts target. The new contracts signed composed of Building projects (30%), Industrial Plant project (28%), and Precast industry (16%). Hence, we calculate 2014's new contract figure has increased almost 3-fold from 2010A.

Focus on expansion

WIKA is strongly focus to expand its business beyond construction. Its expansion projects include: Extraction asphalt plant, a cooperation with China is in stage of engineering. Construction of concrete plant in Myanmar, is in MoU stage. WTON will increase its installed production capacity to 2,2mn and 2,3mn tons respectively in 2014 and 2015.

Expecting 37% growth on bottom line

We estimate, WIKA net profit will be able 37% higher compare to 2013A in 2015 to IDR. 781 bln, driven by income from order book contract as well as additional profit from SAKA's raw material sales. Historically, WIKA is able to grow its bottom line 3 fold every 4 years. Hence, we expect, WIKA expansions will generate more profit in foreseeable future.

Valuation: 10% upside

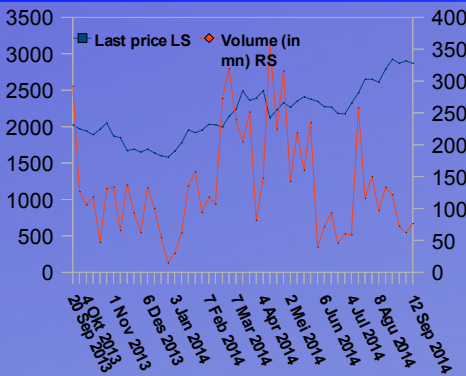
Despite our favorable outlook on WIKA business, We think the share has reflected its forward growth, and currently fairly valued. We are targeting WIKA share to trade at 3170 within one year, or at 25x 2015F P/E, representing only 10%% upside. HOLD.

Profit and Loss (IDR.bn)	2012 A	2013 A	2014 F	2015 F	2016 F
Revenue	9.816	11.885	14.392	16.699	19.039
Cost of Revenue	(8.902)	(10.562)	(12.953)	(15.029)	(17.135)
Gross Profit	914	1.322	1.439	1.670	1.904
Income from joint operations	198	261	230	267	305
Gross profit after income from joint operations	1.111	1.583	1.669	1.937	2.209
Operating expense	(266)	(367)	(432)	(501)	(571)
Operating Profit	845	1.216	1.238	1.436	1.637
Other income	(38)	(199)	(62)	(72)	(82)
PBT	808	1.017	1.176	1.364	1.556
taxes	(303)	(392)	(432)	(501)	(571)
Minority interest	(47)	(54)	(71)	(82)	(93)
EPS	75,0	92,8	109,5	127,1	144,9
Net Profit	458	570	674	781	891
EBITDA	849	1.128	1.312	1.530	1.758

Source: Company and Binaartha

15 September 2014
construction, Equity

Price Rp. 2875
Target Rp. 3170
JKSE Index 5146,341



Stock code
Bloomberg code WIKA IJ
Market cap (USD-m) 17679
52-week high 2990
52-week low 1540
6-m avg.dail.val (IDR) 2474
Free Float (%) 33.28

Major Share Holders (%)
government RI 65.05%
Public 33.28%

USD/IDR-YE
2013 12189
2014F (6m-avg) 11646

Key Indicators
ROE (%) 20.8
Tot.Debt/Tot Equity (x) 2.29
Current ratio (x) 1.02

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Company Profile

PT.Wijaya Karya (Persero), Tbk (WIKA) was established on March 11, 1960 as one of the state-owned enterprises through nationalization of a Dutch company, Naamloze Vennootschap Technische Handel Maatscappij en Bouwberijf Vies en Co abbreviated to NV Vis en Co.

Significant events in 2013:

Established PT Prima Terminal Peti Kemas, a Joint venture company with PT Pelindo I (Persero) and PT Hutama Karya (Persero).

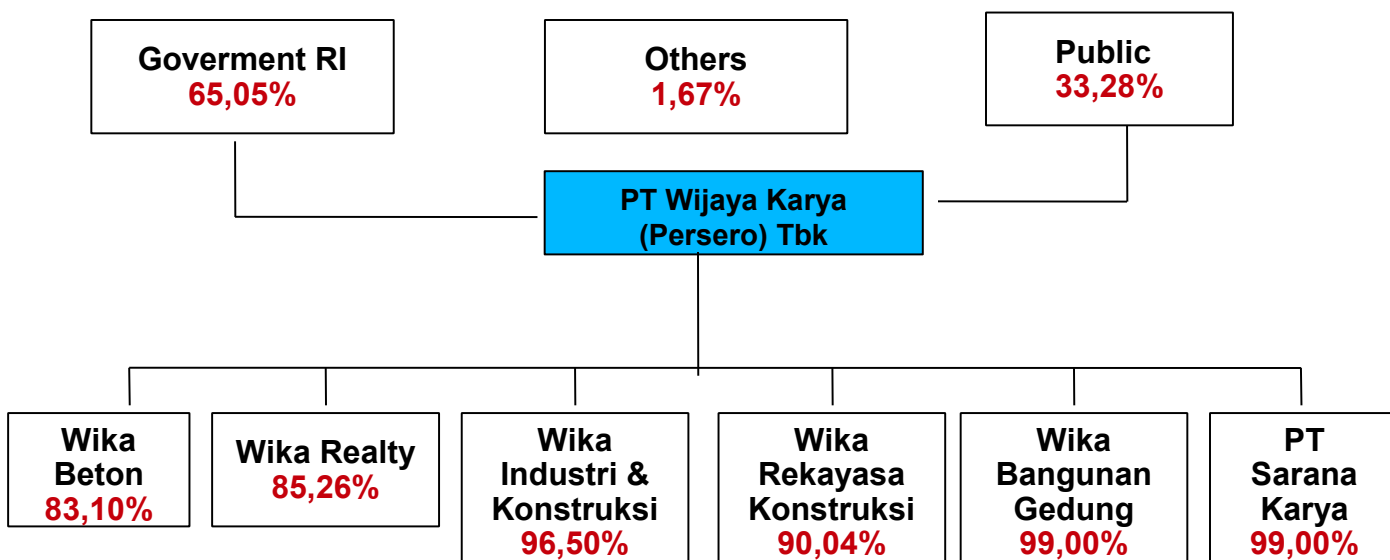
Acquired shares of PT Sarana Karya (Persero) (“SAKA”) from the Government of the Republic of Indonesia,

Established a joint venture companies PT WIKA Kobe and PT WIKA Krakatau Beton through WIKA BETON a WIKA subsidiary company.

Share buyback with a total of 6.018.500 shares at average of Rp1,706.77 per share.

As of 1H14, WIKA has 6 subsidiaries include: Wika Beton, Wika Realty, Wika Industri & Konstruksi, Wika Rekayasa Konstruksi, Wika Bangunan Gedung, and PT Sarana Karya (has a core business in Buton asphalt mining, producing asphalt and ready-made preparations for the construction of roads and others.

Company Profile



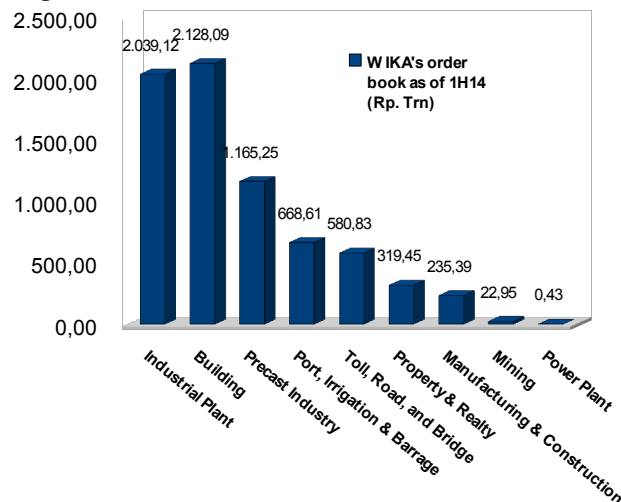
Source: company



I. WIKA total order book vs revenue and net income yoy

	Order book (trillion)	Revenue (IDR in bn)	Net Income (IDR. bn)
2010A	20,84	6.023	285
2011A	26,59	7.742	354
2012A	33,72	9.816	458
2013A	38,27	11.885	570
2014F	49,97	14.392	674
2015F	57,98	16.699	781

II. WIKA's order book contribution of each segment as of 1H14



III. WIKA's share contribution order book (%) by project owner 1H14

	New Order Book (%)				
	2010A	2011A	2012A	1Q14	1H14
Government	40,1%	29,0%	18,4%	6,0%	16,5%
SOE	28,3%	42,5%	30,6%	53,8%	39,2%
Private	31,6%	28,5%	51,0%	40,3%	44,4%

IV. WIKA's order book, carry over, new contracts yoy

(IDR. Trillion)	Order book	new contract	carry over
2010A	20,84	10,22	10,62
2011A	26,59	13,57	13,02
2012A	33,72	17,13	16,59
2013A	38,27	17,73	20,54
CAGR (%)	22,5%	20,1%	24,6%
2014F	49,97	25,83	24,14
2015F	57,98	26,00	31,98

V. WIKA profit and loss (IDR.000) QoQ

WIKA_Profit and Loss (Rp. 000)	1Q13	1Q14	Growth (%)	2Q13	2Q14	Growth (%)	1H13	1H14	Growth (%)
Revenue	2.627.620.031	2.791.666.542	6,2%	2.654.792.913	3.061.271.202	15,3%	5.282.412.944	5.852.937.744	10,8%
Cost of revenues	(2.336.632.674)	(2.475.933.675)	6,0%	(2.374.291.621)	(2.708.306.390)	14,1%	(4.710.924.295)	(5.184.240.065)	10,0%
Gross Profit	290.987.357	315.732.867	8,5%	280.501.292	352.964.812	25,8%	571.488.649	668.697.679	17,0%
Profit (Loss) JO									
Operation project	47.131.724	48.348.110	2,6%	50.958.670	44.427.811	-12,8%	98.090.394	92.775.921	-5,4%
Gross profit after income from join operations	338.119.081	364.080.977	7,7%	331.459.962	397.392.623	19,9%	669.579.043	761.473.600	13,7%
Operating expense	(64.282.467)	(84.744.361)	31,8%	(81.236.940)	(92.558.953)	13,9%	(145.519.407)	(177.303.314)	21,8%
Operating Profit	273.836.614	279.336.616	2,0%	250.223.022	304.833.670	21,8%	524.059.636	584.170.286	11,5%
Other income	(10.415.998)	(6.117.468)	-41,3%	(21.623.182)	(46.955.580)	117,2%	(32.039.180)	(53.073.048)	65,7%
Pretax income(PBT)	263.420.616	273.219.148	3,7%	228.599.840	257.878.090	12,8%	492.020.456	531.097.238	7,9%
taxes	(87.944.873)	(90.113.877)	2,5%	(87.229.043)	(92.842.723)	6,4%	(175.173.916)	(182.956.600)	4,4%
NIAT	175.475.743	183.105.271	4,3%	141.370.797	165.035.367	16,7%	316.846.540	348.140.638	9,9%
Minority interest	(18.600.706)	(15.588.265)	-16,2%	(17.917.268)	(49.900.659)	178,5%	(36.517.974)	(65.488.924)	79,3%
EPS	26	27	6,8%	20	19	-6,7%	46	46	0,8%
Net Profit	156.875.037	167.517.006	6,8%	123.453.529	115.134.708	-6,7%	280.328.566	282.651.714	0,8%

Profit and Loss (Rp.in bn) yoy

Profit and Loss (IDR.bn)	2011 A	2012 A	2013 A	2014 F	2015 F	2016 F
Revenue	7.742	9.816	11.885	14.392	16.699	19.039
Cost of Revenue	(6.978)	(8.902)	(10.562)	(12.953)	(15.029)	(17.135)
Gross Profit	763	914	1.322	1.439	1.670	1.904
Income from join operations	102	198	261	230	267	305
Gross profit after income from join operations	865	1.111	1.583	1.669	1.937	2.209
Operating expense	(211)	(266)	(367)	(432)	(501)	(571)
Operating Profit	654	845	1.216	1.238	1.436	1.637
Other income	(24)	(38)	(199)	(62)	(72)	(82)
PBT	630	808	1.017	1.176	1.364	1.556
taxes	(239)	(303)	(392)	(432)	(501)	(571)
Minority interest	(36)	(47)	(54)	(71)	(82)	(93)
EPS	58,8	75,0	92,8	109,7	127,3	145,1
Net Profit	354	458	570	674	781	891
EBITDA	661	849	1.128	1.312	1.530	1.758

Ratio Highlight

	2011 A	2012 A	2013 A	2014 F	2015 F	2016 F
Growth (% YoY)						
Sales	28,54%	26,79%	21,07%	21,10%	16,03%	14,02%
OP	36,88%	29,32%	43,83%	1,79%	16,03%	-100,00%
EBITDA	23,81%	28,44%	32,83%	16,29%	16,64%	14,85%
NP	24,42%	29,16%	24,48%	18,17%	16,03%	14,02%
EPS	23,89%	27,50%	23,78%	18,17%	16,03%	14,02%
Profitability						
Operating Margin(%)	8,44%	8,61%	10,23%	8,60%	8,60%	8,60%
EBITDA margin(%)	8,54%	8,65%	9,49%	9,12%	9,16%	9,23%
NET Profit margin(%)	4,58%	4,66%	4,80%	4,68%	4,68%	4,68%
ROA(%)	4,26%	4,18%	5,00%	5,63%	6,18%	6,64%
ROE(%)	17,11%	17,79%	19,69%	20,45%	20,76%	20,66%
Stability						
Total debt/ equity (X)	2,95	3,16	2,86	2,56	2,29	2,05
Current ratio (X)	1,14	1,10	1,02	0,99	1,02	1,07
Gross debt (Rp bn)	6.104	8.131	8.280	8.440	8.629	8.847
Per Share data (Rp)						
EPS	58,8	75,0	92,8	109,7	127,3	145,1
BVS	354	422	471	536	613	702
EBITDA/share	109,7	139,1	183,7	213,7	249,2	286,2

Source: Company and Binaartha



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