



PT Wijaya Karya (Persero), Tbk

BUY

Investment Consideration

Targeting Double Growth in New Contracts

WIKA is targeting new contracts totaling IDR. 52,26 trn, a two times increase from 2015FY at IDR. 25,22 trn. 73% of the new contracts are infrastructure and building related. We are optimistic WIKA's 2016 target is reasonable, since the company has been given some strategic and priorities projects such as Manado-Bitung and Balikpapan-Samarinda toll roads. WIKA shall use the proposed stated-capital injection amount of IDR. 4 trn and IDR 2 trn right issue to partially finance these projects along with other projects including Soreang-Pasirkoja toll road, 4 new power plants, Jatiluhur I & II water treatment plant with a capacity at 5000lt/second, and LRT projects. In June 22, 2016, WIKA has launched 1st stage of Kelapa Gading Velodrome and Depo LRT Jakarta in Kelapa Gading. WIKA is also starting to develop 1st stage of HSR. We expect a delay in MRT depo project in Lebak bulus due to permit issue. WIKA is also pursuing and working on overseas projects such as in Myanmar, Arab Saudi and Timor Leste.

Expecting Jump in Bottom Line Growth

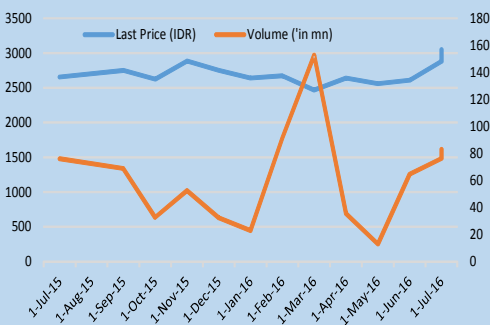
We think WIKA's portfolio projects will triple its bottom line. We are targeting WIKA's average bottom line during 2016-2018F will grow by 20%, compared to average growth of 5% during 2013A-2015A.

Valuation: 21% upside

Our 1 year TP for WIKA is IDR.3680 per share or trading at 26x 2017 PER, about 21% upside potential, BUY

29 July 2016
Construction, Equity

Price **Rp. 3050**
Target **Rp. 3680**
JKSE Index **5299.213**



Stock code
Bloomberg code **WIKA IJ**
Market cap (IDR.bn) **18755.1**
52-week high **3150**
52-week low **2200**
6-m avg.dail.val (IDR) **2660**
Free Float (%) **33.73**

Major Share Holders (%)
RI Government **65.05%**
Public **33.73%**

USD/IDR-YE
2015 **13795**
2016 (6m-avg) **13375**

Key Indicators
ROE (%) **9.55**
Debt/Equity (x) **0.46**
Current ratio (x) **1.23**

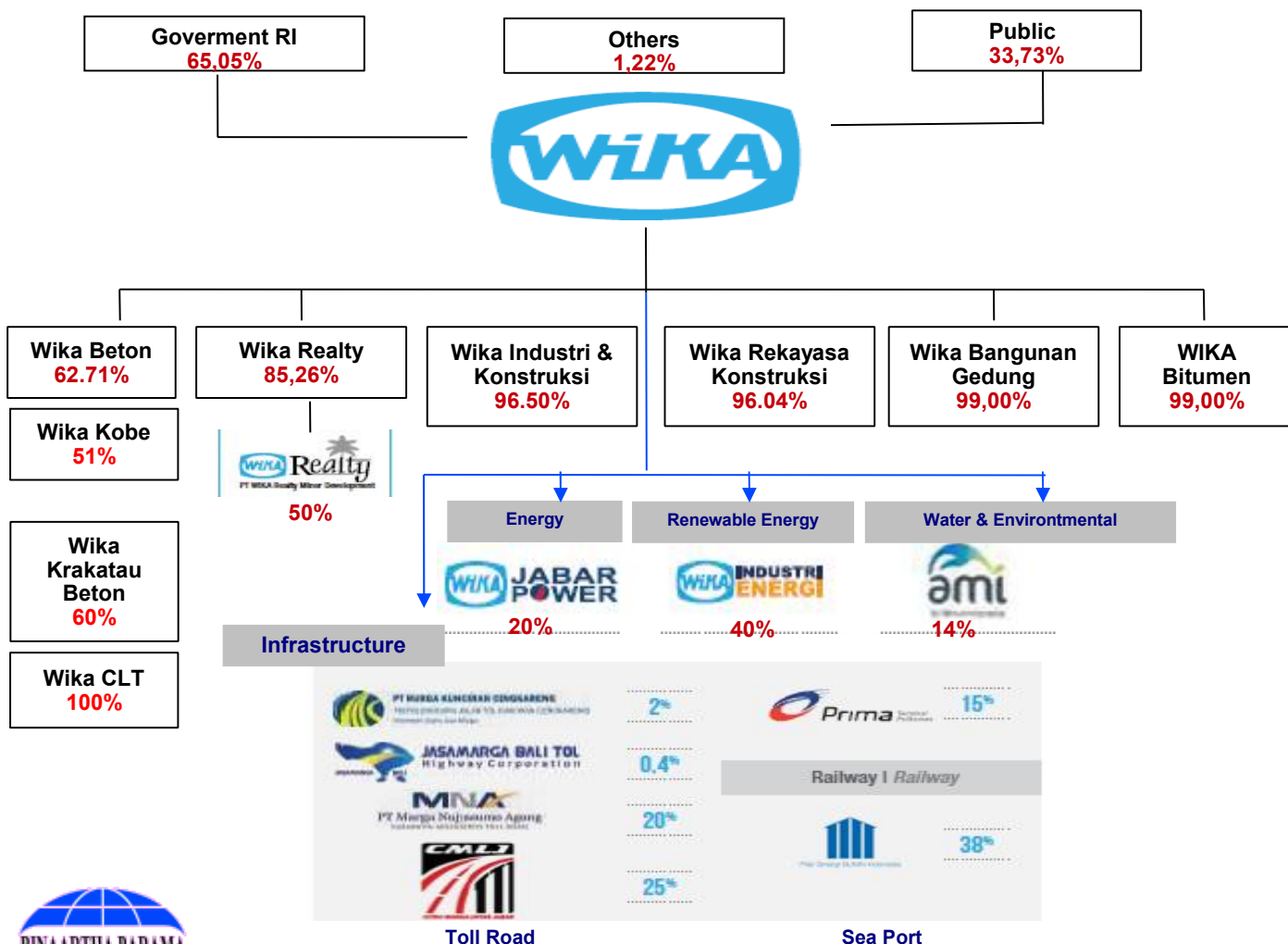
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Profit and Loss							
(IDR.bn)	2013A	2014A	2015A	2016F	2017F	2018F	
Revenue	11,885	12,463	13,620	18,650	22,592	26,804	
Cost of revenues	(10,562)	(11,039)	(11,965)	(16,412)	(19,881)	(23,588)	
Gross Profit	1,322	1,425	1,655	2,238	2,711	3,217	
Profit (Loss) JV	261	370	288	224	271	322	
Gross profit after income from JV	1,583	1,794	1,943	2,462	2,982	3,538	
Operating expense	(367)	(393)	(429)	(560)	(678)	(804)	
Operating Profit	1,216	1,401	1,514	1,902	2,304	2,734	
Other income	(199)	(262)	(416)	(479)	(584)	(687)	
Pretax income(PBT)	1,017	1,139	1,098	1,424	1,720	2,047	
taxes	(392)	(395)	(395)	(560)	(678)	(804)	
Minority interest	(54)	(136)	(78)	(142)	(172)	(205)	
Net Profit	570	608	625	722	870	1,038	
EPS	93	99	102	117	142	169	
EBITDA	1,128	1,528	1,763	2,261	2,703	3,178	

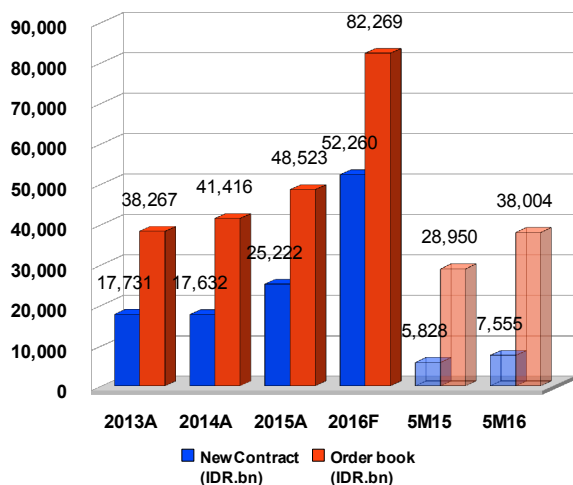
Company profile

PT. Wijaya Karya (Persero), Tbk (WIKKA) was established on March 11, 1960 as one of the state-owned enterprises formed through nationalization of a Dutch company, Naamloze Vennootschap Technische Handel Maatscappij en Bouwberijf Vies en Co abbreviated to NV Vis en Co. The company was established under the name of Perusahaan Negara Bangunan Widjaja Karja where its business activity covers installation of electricity and water pipe. WIKKA kept innovating, growing and transforming into an integrated infrastructure company and has established a number of subsidiaries. In 2014, WIKKA restructures its business segments into five pillars namely: Industry, Infrastructure & Building, Energy & Industrial plant, Realty & property, and investment. Its Infrastructure & Building business segment remain as the major contributor to their total contracts. WIKKA also focuses on developing other segments such as Energy & Industrial plant and investment as part of its future revenue sources.

Company Profile



I. Chart: order book and new contract yoy (IDR.bn)



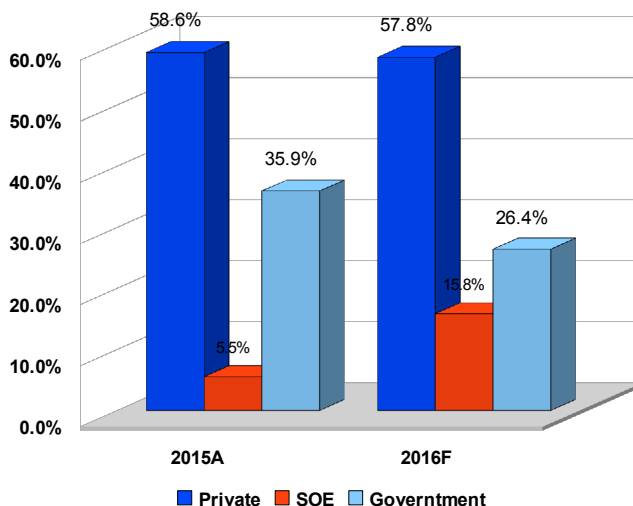
II. Table: new contract and carry over contract for each segment

Contribution each of sector to contract (%)	New contract		Carry over	
	2015FY	2016F	2015FY	2016F
Industry	14.8%	9.1%	4.1%	5.8%
Infra & Building	75.6%	72.5%	64.7%	68.9%
Energy & Industrial Plant	4.1%	13.9%	29.8%	22.7%
Property & Realty	5.5%	4.5%	1.9%	2.6%

III. Table: new contract based on scope of work (%)

	New contract based on scope of work		
	5M15	5M16	2016F
Industrial Plant	0.2%	12.6%	7.5%
Precast	17.5%	18.1%	6.9%
Building	32.3%	44.7%	11.3%
Property	3.7%	2.8%	4.5%
Toll, Road & Bridges	20.9%	14.2%	50.3%
Port, Irrigation, DAM	20.6%	0.0%	8.7%
Manufacture&Const.	4.0%	2.0%	2.0%

IV. Chart: new contract based on scope of work (%)



Profit and Loss (IDR.in bn)

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Ratio Highlights (in IDR)

	2013 A	2014 A	2015 A	2016 F	2017 F	2018 F
Growth (% YoY)						
Sales	21.07%	4.87%	9.28%	36.93%	21.14%	18.64%
OP	43.83%	15.26%	8.02%	25.66%	21.14%	18.64%
EBITDA	32.85%	35.45%	15.39%	28.19%	19.56%	17.57%
NP	24.48%	6.71%	2.78%	15.49%	20.57%	19.28%
EPS	23.78%	6.54%	2.78%	15.49%	20.57%	19.28%
Profitability						
Operating Margin(%)	10.23%	11.24%	11.12%	10.20%	10.20%	10.20%
EBITDA margin(%)	9.49%	12.26%	12.95%	12.12%	11.96%	11.86%
NET Profit margin(%)	4.80%	4.88%	4.59%	3.87%	3.85%	3.87%
ROA(%)	4.53%	3.82%	3.19%	2.36%	2.46%	2.53%
ROE(%)	18.15%	12.47%	11.49%	8.85%	9.55%	10.14%
Liquidity						
Current ratio (X)	1.10	1.12	1.19	1.23	1.23	1.25
cash ratio	0.19	0.27	0.24	0.40	0.34	0.32
Stability						
Debt/ equity (X)	0.49	0.45	0.53	0.43	0.46	0.52
Per Share data (Rp)						
EPS	92.8	98.9	101.6	117.4	141.5	168.8
BVS	480	649	711	1,134	1,252	1,392
EBITDA/share	183.8	248.5	286.8	367.6	439.5	516.8

Source: Company and Binaartha



RESEARCH TEAM

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