

Investment Consideration

Strong new contract growth

WIKA is on track to achieve their ambitious new contract target this year. As of 1H17, WIKA has booked total new contracts of IDR. 20.86 trillion which is already 48.24% of their total annual target. This number is very strong because usually new contracts are larger in the second semester. Of the total, about 62% come from the infrastructure and building sector followed by Energy & Industrial Plant, 23.5%, Industry, 11.55% and Property & Realty, 3.31%. Overall, WIKA is targeting a total order book of IDR 103.24 trillion this year. We are optimistic WIKA's 2017 target is reasonable since the company has been given some strategic, priority projects such as the Manado-Bitung, Soreang-Pasir Koja, and Balikpapan-Samarinda toll roads, and also the Jatiluhur water treatment. WIKA also has future potential investment projects in Power plants, Industrial estates, and DAMS. In addition, WIKA has overseas projects such as the Bateen Al Samar Residential project in Dubai. To help fund this strong growth, in 2H17, WIKA plans to issue a IDR. 5 trillion bond as part of their long term financing plans and following on from their rights issue last year.

Solid construction project progress

As of 1H17, the progress of WIKA's many construction projects as follows: WIKA's HSR project by the middle of July 2017, started construction of 35.4 km, consisting of 16.18 km of Grade in 4 locations, 9.87 km of Tunnels in 4 locations, and 9.35Km of Elevated in 10 locations. WIKA will also build 25 batching plants along the HSR at (Halim, Karawang, Walini, Cimahi, Tegalluar). The famous Semanggi interchange project Simpang Susun Semanggi was inaugurated on August 17th, 2017. MRT elevated and underground sections have reached 56% and 88% completion respectively and are expected to be completed by 2018. The LRT project has reached 28.88% and the ASEAN Games Velodrome project reached 43% completion with both expected to be completed in 2H18.

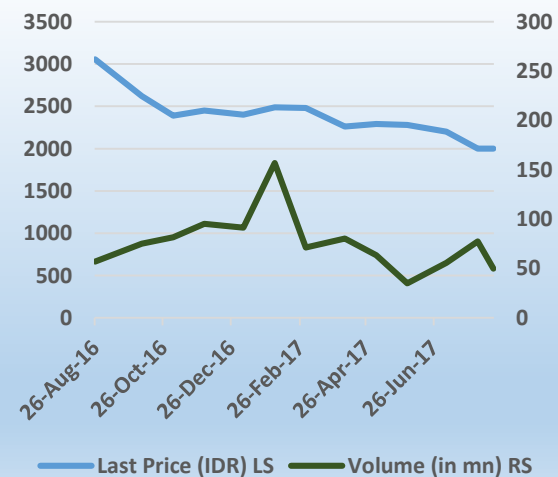
Valuation: 71% upside, BUY

Based on a DCF, we have a target price within one year of IDR. 3400 or trading at 19.4x PER which gives 71% potential upside, BUY.

Profit and Loss						
(IDR.bn)	2014A	2015A	2016A	2017F	2018F	
Revenue	12,463	13,620	15,669	25,117	30,398	
Cost of revenues	(11,039)	(11,965)	(13,442)	(22,354)	(27,054)	
Gross Profit	1,425	1,655	2,227	2,763	3,344	
Profit (Loss) JV	370	288	379	553	669	
Gross profit after income from JV	1,794	1,943	2,606	3,315	4,013	
Operating expense	(393)	(429)	(527)	(754)	(912)	
Operating Profit	1,401	1,514	2,079	2,562	3,101	
Other income	(262)	(416)	(849)	(924)	(1,012)	
taxes	(395)	(395)	(83)	(251)	(304)	
Minority interest	(136)	(78)	(135)	(164)	(209)	
Net Profit	608	625	1,012	1,223	1,575	
EPS	99	102	113	136	176	
EBITDA	1,455	1,742	1,898	2,937	3,592	

28 August 2017
Construction, Equity

Price IDR. 1990
Target Price IDR. 3400
JKSE Index 5915.36



Stock Code
Bloomberg code WIKA J
Market cap (IDR.bn) 17895.1
52-Week High (IDR) 3084
52-Week Low (IDR) 1965
6-m Avg Daily. Val (IDR) 2256
Free Float (%) 34.20

Major Shareholders (%)
Government RI 65.05%
Others 0.75%
Public 34.20%

USD/IDR-YE
2016A 13513
2017F (6M Avg) 13327

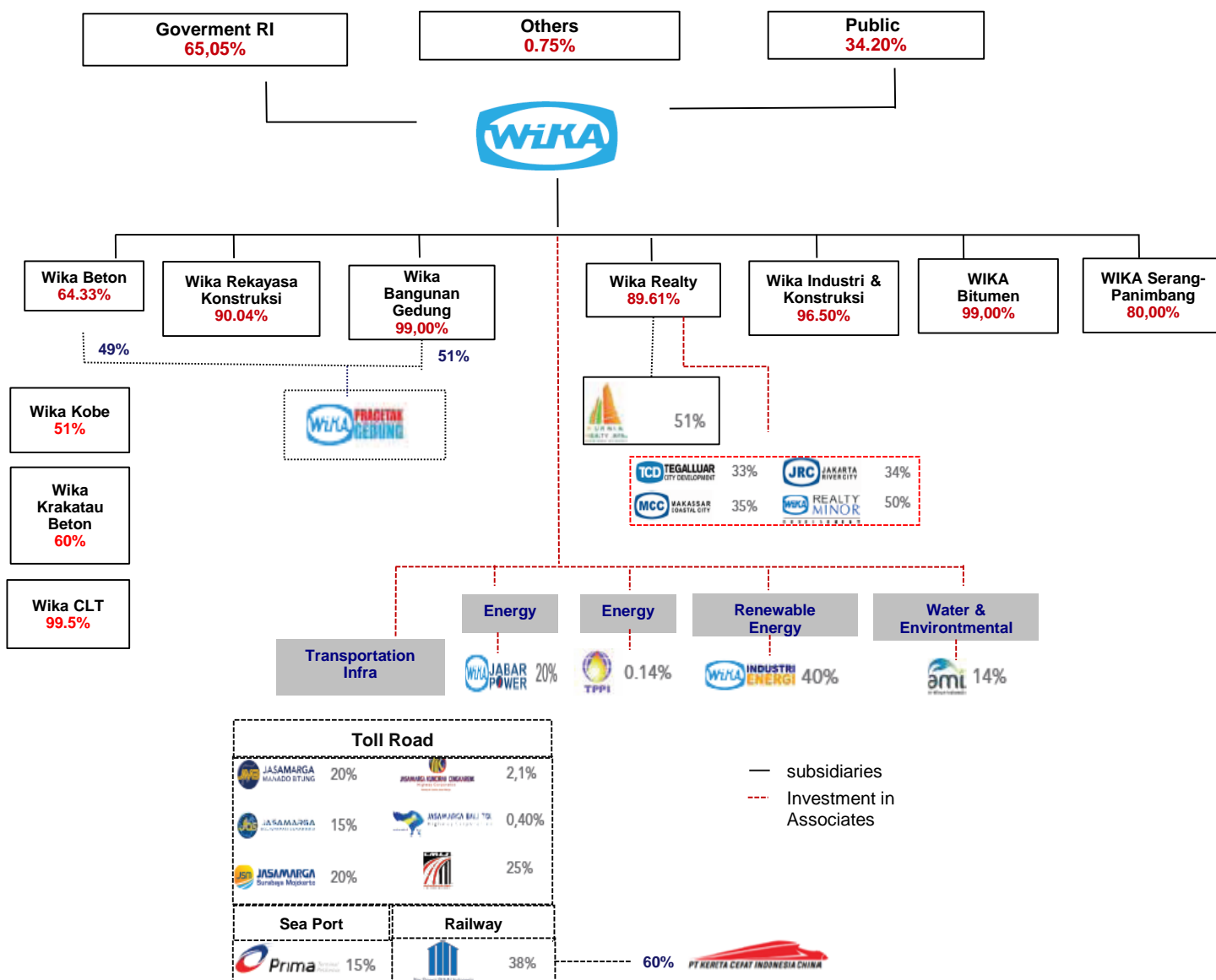
Key Indicators
Total Debt/ Equity (x) 2.22
Current ratio (x) 1.82

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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 which were formed from the nationalization of a Dutch company, Naamloze Vennootschap Technische Handel Maatscappij en Bouwberijf Vies en Co (NV Vis en Co). The company was established under the name of Perusahaan Negara Bangunan Widjaja Karja with its business activities as installation of electricity and water pipes. WIKA kept innovating, growing and transformed into an integrated infrastructure company with a number of subsidiaries. In 2014, WIKA restructured its business segments into five pillars: Industry, Infrastructure and Building, Energy and Industrial Plants, Realty and Property, and Investment. Its Infrastructure and Building business segment remains the major contributor to total contracts. In its latest evolution, WIKA is focusing on developing sources of future recurring income from its Energy & Industrial Plant and Investment segments.

Company Structure



Toll Road			
JASAMARGA MANADO BITUNG	20%	ASAMBA SIKER CIKUR	2,1%
JASAMARGA	15%	ASAMARGA BUI TO	0,40%
JASAMARGA Saranggala Rempang	20%		25%
Sea Port		Railway	
Prima	15%		38%

60% PT KERETA CEPAT INDONESIA CHINA

— subsidiaries
 - - - Investment in Associates

Chart: Total order book vs new contract (IDR. In trillion)

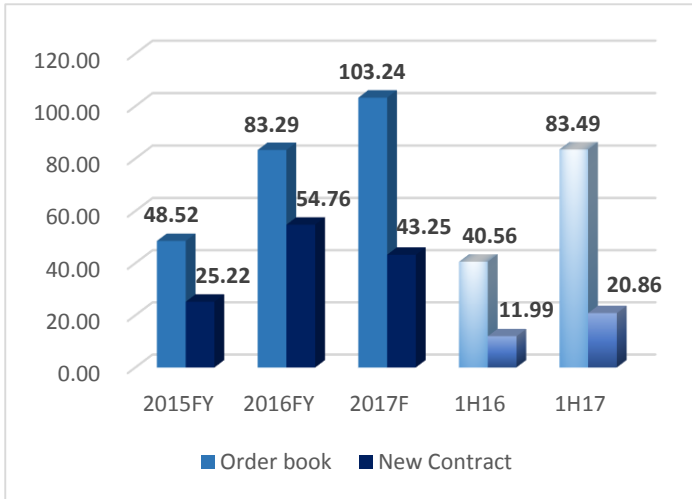


Chart: New contract based on project owner

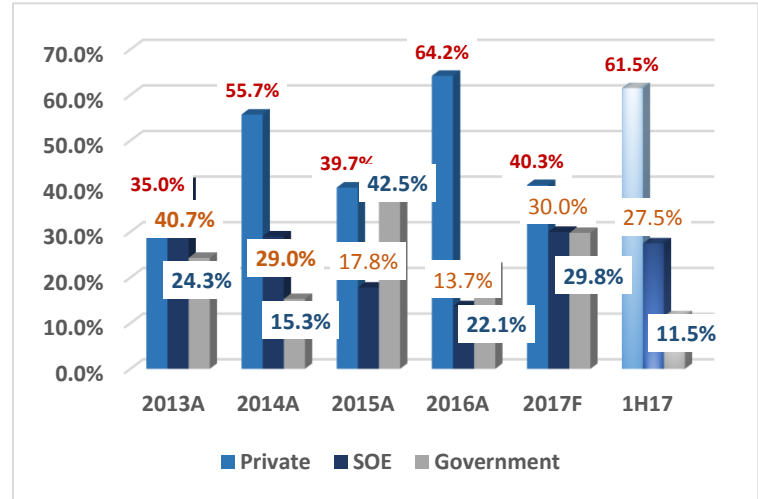
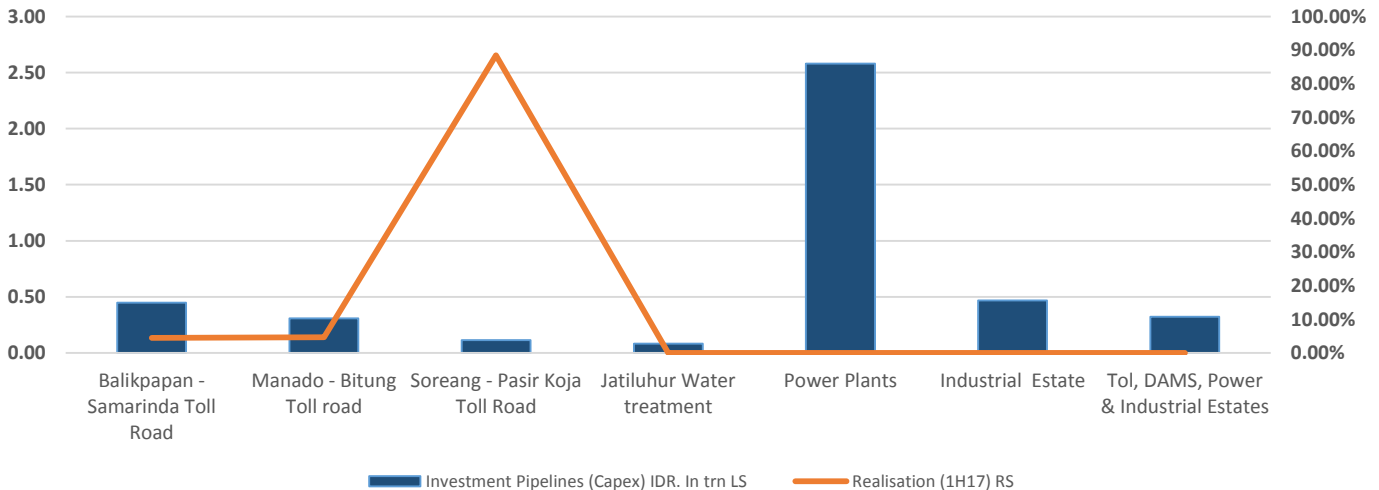


Chart: New contract based on business segment

New Contract based on business segment	1H17 (IDR.in bn)	2017F (IDR.in bn)	1H17 yoy growth (%)	1H17 / 2017F target (%)
Industry	2408.45	6675	52.2%	36.1%
Infra & Building	12866.21	25836	113.5%	49.8%
Energy & Industrial Plant	4895.67	7200	18.1%	68.0%
Property	689.86	3534	197.7%	19.5%

Chart: Investment pipelines (capex) vs realisation as of 1H17



Profit and Loss (IDR.bn)

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Cost of revenues	(10,562)	(11,039)	(11,965)	(13,442)	(22,354)	(27,054)
Gross Profit	1,322	1,425	1,655	2,227	2,763	3,344
Profit (Loss) JV	261	370	288	379	553	669
Gross profit after income from JV	1,583	1,794	1,943	2,606	3,315	4,013
Operating expense	(367)	(393)	(429)	(527)	(754)	(912)
Operating Profit	1,216	1,401	1,514	2,079	2,562	3,101
Other income	(199)	(262)	(416)	(849)	(924)	(1,012)
Pretax income(PBT)	1,017	1,139	1,098	1,230	1,637	2,088
taxes	(392)	(395)	(395)	(83)	(251)	(304)
Minority interest	(54)	(136)	(78)	(135)	(164)	(209)
Net Profit	570	608	625	1,012	1,223	1,575
EPS	93	99	102	113	136	176
EBITDA	1,192	1,455	1,742	1,898	2,937	3,592

Ratio Highlights (%)

	2013 A	2014 A	2015 A	2016 A	2017 F	2018 F
Growth (% YoY)						
Sales	21.07%	4.87%	9.28%	15.04%	60.30%	21.02%
OP	43.83%	15.26%	8.02%	37.33%	23.23%	21.02%
EBITDA	34.65%	22.01%	19.74%	8.98%	54.73%	22.30%
NP	24.48%	6.71%	2.78%	61.88%	20.83%	28.86%
EPS	23.78%	6.54%	2.78%	10.98%	20.83%	28.86%
Profitabilitas						
Operating Margin(%)	10.23%	11.24%	11.12%	13.27%	10.20%	10.20%
EBITDA margin(%)	10.03%	11.67%	12.79%	12.12%	11.69%	11.82%
NET Profit margin(%)	4.80%	4.88%	4.59%	6.46%	4.87%	5.18%
ROA(%)	4.53%	3.82%	3.19%	3.25%	3.49%	3.95%
ROE(%)	18.15%	12.47%	11.49%	8.10%	9.13%	10.57%
Liquiditas						
Current ratio (X)	1.095	1.119	1.185	1.476	2.043	1.882
cash ratio (x)	0.190	0.271	0.242	0.635	1.013	0.845
Stabilitas						
Tot debt/ Equity	3.30	2.84	3.24	1.64	2.18	2.22
Per Share data (Rp)						
EPS	92.8	98.9	101.6	112.8	136.3	175.6
BVS	458	511	793	606	1,393	1,493

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

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