

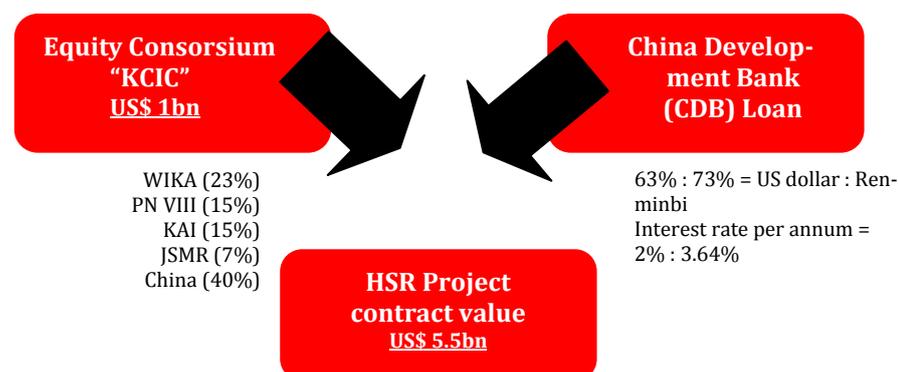
Flash Note - Financial Closure of HSR Project Finally Signed

NEUTRAL (TP: IDR 2,525)

15 May 2017

Indonesia's High Speed Railway Project (HSR) contract, worth an estimated value of USD 5.5bn/IDR 7.5tn finally received the funding necessary to perform the land acquisitions. The signing of the loan disbursement, received from China Development Bank (CDB) was conducted yesterday in China. The loan disbursement was made after CDB granted relief to PT Kereta Cepat Indonesia China (KCIC) as KCIC had found it difficult to free up 100% land acquisition since preliminary agreements. Previously, CDB would have only approved the disbursement if the entire 100% of land acquisition had been completed. Disbursement of the loan will be done in a gradual process beginning with the first phase where the consortium KCIC will receive approximately USD 1bn/IDR 1.3tn that will be used for land acquisition. CDB has pledged a total loan value of USD 4.5bn/IDR 59.8tn to KCIC. The budget on HSR project could potentially swell from USD 5.19bn to USD 5.99bn due to changes in project design and land price increases, especially for the Karawang - Purwakarta areas.

HSR Funding Profile



Our View: With WIKA acting as project leader (23% share) for the HSR project, WIKA will need to inject IDR 4tn equity into this project. This implies that approximately one-third of WIKA's equity will be locked into the project. As the right issue proceeds of IDR 6tn is not eligible to fund this project, WIKA will likely need to raise some debt leading to possible risk in project margins given low project IRR that will be reflected in 2H17 earnings. Additionally, we assume WIKA will still deliver a single-digit ROE assuming it can achieve FY17 target and currently the company is the most expensive contractor, trading at forward P/E of 15.7x. Any news flow (funding, licensing, project progress) related to HSR project will have a direct impact on WIKA.

Henny Indrawati

Equity Analyst

+62 21 392 5550 ext. 610

henny.indrawati@sinarmassekuritas.co.id

Stock Information

Sector	Construction
Bloomberg Ticker	WIKA IJ
Market Cap. (IDR tn)	19.91
Share Out./Float (mn)	8,970/3,133
Current Price	IDR 2,220
52-week Target Price	IDR 2,525
Upside (%)	13.7%

Share Price Performance

52W High (08/05/16)	3,139
52W Low (05/20/16)	2,037
52W Beta	0.91
YTD Change (%)	1.37%

Relative Valuations

Trailing P/E	13.87x
Forward P/E	15.65x
P/BV	1.71x
EV/EBITDA	16.07x

SINARMAS SEKURITAS INVESTMENT RATINGS GUIDE

BUY: Share price may rise by more than 15% over the next 12 months.

ADD: Share price may range between 10% to 15% over the next 12 months.

NEUTRAL: Share price may range between -10% to +10% over the next 12 months.

REDUCE: Share price may range between -10% to -15% over the next 12 months.

SELL: Share price may fall by more than 15% over the next 12 months.

DISCLAIMER

This report has been prepared by PT Sinarmas Sekuritas, an affiliate of Sinarmas Group.

This material is: (i) created based on information that we consider reliable, but we do not represent that it is accurate or complete, and it should not be relied upon as such; (ii) for your private information, and we are not soliciting any action based upon it; (iii) not to be construed as an offer to sell or a solicitation of an offer to buy any security.

Opinions expressed are current opinions as of original publication date appearing on this material and the information, including the opinions contained herein, is subjected to change without notice. The analysis contained herein is based on numerous assumptions. Different assumptions could result in materially different results. The analyst(s) responsible for the preparation of this publication may interact with trading desk personnel, sales personnel and other constituencies for the purpose of gathering, integrating and interpreting market information. Research will initiate, update and cease coverage solely at the discretion of Sinarmas Research department. If and as applicable, Sinarmas Sekuritas' investment banking relationships, investment banking and non-investment banking compensation and securities ownership, if any, are specified in disclaimers and related disclosures in this report. In addition, other members of Sinarmas Group may from time to time perform investment banking or other services (including acting as advisor, manager or lender) for, or solicit investment banking or other business from companies under our research coverage. Further, the Sinarmas Group, and/or its officers, directors and employees, including persons, without limitation, involved in the preparation or issuance of this material may, to the extent permitted by law and/or regulation, have long or short positions in, and buy or sell, the securities (including ownership by Sinarmas Group), or derivatives (including options) thereof, of companies under our coverage, or related securities or derivatives. In addition, the Sinarmas Group, including Sinarmas Sekuritas, may act as market maker and principal, willing to buy and sell certain of the securities of companies under our coverage. Further, the Sinarmas Group may buy and sell certain of the securities of companies under our coverage, as agent for its clients.

Investors should consider this report as only a single factor in making their investment decision and, as such, the report should not be viewed as identifying or suggesting all risks, direct or indirect, that may be associated with any investment decision. Recipients should not regard this report as substitute for exercise of their own judgment. Past performance is not necessarily a guide to future performance. The value of any investments may go down as well as up and you may not get back the full amount invested.

Sinarmas Sekuritas specifically prohibits the redistribution of this material in whole or in part without the written permission of Sinarmas Sekuritas and Sinarmas Sekuritas accepts no liability whatsoever for the actions of third parties in this respect. If publication has been distributed by electronic transmission, such as e-mail, then such transmission cannot be guaranteed to be secure or error-free as information could be intercepted, corrupted, lost, destroyed, arrive late or incomplete, or contain viruses. The sender therefore does not accept liability for any errors or omissions in the contents of this publication, which may arise as a result of electronic transmission. If verification is required, please request a hard-copy version.

Additional information is available upon request.

Images may depict objects or elements which are protected by third party copyright, trademarks and other intellectual properties.

©Sinarmas Sekuritas(2017). All rights reserved.