

We recently attended due diligence meeting and public expose on WIKA Gedung Initial Public Offering. WIKA Gedung positioned itself as a total solution contractor which provides end-to-end services for building construction. Company plans to expand its business portfolio through forward strategy from the combination of recurring income investments and construction works, as well as backward integration strategy through supply chain reinforcement. Moving forward, in FY16, the biggest revenue contribution still came from repeat customer at 69.50% of total revenue. The company targets to maintain its repeat customer by delivering excellence service while increasing new customer going forward. The management also expects to decrease its dependency on internal sales by only 50% of total sales. In 6M17, revenue contribution from repeat customer has decreased to 49% (vs. 52% in 6M16). Pertaining to order book, WIKA Gedung has achieved IDR 10.02tn in 1H17, consisting of IDR 4.32tn new contracts and IDR 5.71tn carry over. The 6M17 order book has achieved 76.9% of FY17 target.

Speaking of financial performance, WIKA Gedung has recorded revenue of IDR 1.31tn and IDR 106bn net income in 1H17, increased by 54.4% yoy and 70.6% YoY respectively, where net margin stood at 8.1% (vs. 7.4% in 1H16). We estimate that net margin is going to decrease next year due to high capex allocation for expansion on both forward and backward integration strategy, bringing higher interest expense. Furthermore, WIKA Gedung's gross and net gearing as of June 2017 stood at 0.68x and 0.28x respectively (vs. 0.65x/0.44x in FY16).

The offering structure of IPO WIKA Gedung is at a range of 2,872,000,000-4,467,000,000 shares (between 30% to 40% enlarged capital) with a price range of IDR 290-IDR 456 per share. Assuming the company issues the minimum 30% of shares to public and according to our assumptions below, forward P/E FY18F would stand at a range of 8.2x-12.8x. Looking at its peers, forward P/E FY18F for TOTL and ACST based on consensus stand at 8.5x and 8.2x respectively. Accordingly, we believe WIKA Gedung is offered at attractive valuation at only minimum price.

Assumptions	FY16A	FY17E	FY18F
Burn Rate	24%	27%	30%
Order Book (IDR mn)	7.926.000	13.000.000	16.900.000
% growth		64,02%	30,00%
Net Margins	7,4%	7,0%	6,7%

Source: Company Data, SinarMas Investment Research

Indicative Timetable	
Public Expose	26-Oct-17
Bookbuilding Period	26-Oct-17 - 7-Nov-17
Final Pricing & Allocation	08-Nov-17
Effective Statement	20-Nov-17
Offering Period	22 - 24 Nov-17
Settlement, payment, & refund	29-Nov-17
Listing	30-Nov-17

Source: Company Data, SinarMas Investment Research

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