

**Big 4 SOE new contracts still below target.** The big 4 SOE contractors under our coverage collectively booked IDR33.2 tn in new contracts over the 7M21 period. Unfortunately, the booked new contracts fall short of the target set by the respective contractors, painting the image of a year of slow recovery. In detail:

- **WIKA** leads the pack, booking IDR1.5 tn in new contracts over July-21, bringing its 7M21 total to IDR12.0 tn (+168.4% YoY) and representing 29.8%/ 37.3% of company's/ ours' estimates. The company's management has confirmed that it is currently revising its FY21 target, and aims to release new guidance in short order.
- **PTPP** booked IDR0.9 tn in new contracts over July-21, bringing its 7M21 total to IDR9.5 tn (-5.2% YoY) and representing 31.7%/ 34.9% of company's/ ours' projections.
- **WSKT/ ADHI** booked IDR1.1 tn/1.1 tn in new contracts over July-21, bringing their respective 7M21 totals to IDR3.9 tn (-54.0% YoY) and IDR7.8 tn (+95.0% YoY). WSKT's achievement currently reflects 15.0%/14.0% of company's/ ours' estimates, whereas ADHI's achievement currently reflects 33.0%/ 33.1% of company's/ ours' estimates.

We believe the current achievement is grounds enough for a revision of FY21 targets as it is clear that the recovery is going slower than expected. New contracts typically pick up toward the tail end of the year, which has also been a historically bull period for the sector.

**Behind the recent share price rally.** Construction names have rallied 6.1% - 22.6% MTD. After some investigation, we believe that this recent rally was motivated by the recent positive progress in the WSKT restructuring process, as well as news that the new capital city will begin construction in FY22. With regards to the new capital city, the National Development Planning Agency (Bappenas) has expressed that the transition will be a long-term project spanning 15–20 years. The agency has also set a FY22 budget of IDR1.4 tn, of which only 3.8% is allocated towards capex.

**What lies ahead.** As the year comes to a close, we keep an eye out for:

- Further updates from the Sovereign Wealth Fund INA, which is currently engaged in discussion with WSKT to invest in up to 4 possible toll roads owned by the contractor. Any positive development for WSKT's divestment progress is bound to be well-received by the market.
- WSKT's upcoming rights issue, which is reported to issue at most 24.6 bn new shares. Our calculation implies a dilution of up to 64.4% based on existing shareholder participation.
- New contract acceleration as the economy recovers and kicks into high gear by the end of the year.

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## New Contract Achievement (in IDR bn)

Company	Company Guidance	7M21 Achievement	% to Guidance	% to DH Estimate
WIKA	40,120	11,961	29.8%	37.3%
WSKT	26,000	3,900	15.0%	14.0%
PTPP	30,100	9,540	31.7%	34.9%
ADHI	23,640	7,800	33.0%	33.1%
<b>Total</b>	<b>119,860</b>	<b>33,201</b>	<b>27.7%</b>	<b>29.6%</b>

Source: Company Data, Sinarmas Investment Research

## WSKT Right Issue Dilution

WSKT - Dilution assuming no rights exercised	
Current Shares Outstanding	13,573,951,000
Indonesian Government (%)	66.0%
Public (%)	34.0%
<b>Calculated Exercise Price</b>	<b>322</b>
Capital Injection	7,900,000,000,000
New Shares to be Issued	24,560,000,000
Post-Injection Shares Out	38,133,951,000
Post - Injection Indo Gov't (%)	87.9%
Post - Injection Public (%)	12.1%
<b>Dilution</b>	<b>-64.4%</b>

Source: Sinarmas Investment Research

## WSKT Right Issue Dilution—2

WSKT RI with 50% of Public Exercising their Rights	
Current Shares Outstanding	13,573,951,000
<b>Calculated Exercise Price</b>	<b>487</b>
Targeted Capital (Gov't Portion)	7,900,000,000,000
Targeted Capital (Public Portion)	4,063,166,792,980
% of Public Capital Realized	50%
Total Capital Raised	9,931,583,396,490
New Additional Shares	20,389,224,059
Gov't Ownership Ex-RI	74.1%
Public Ownership Ex-RI	25.9%
<b>Dilution</b>	<b>-23.9%</b>

Source: Sinarmas Investment Research

## WSKT Divestment Progress

Toll Road Operator	Toll Road Name	Status	Ownership Divested	Transaction Value (IDR bn)	PBV (x)
CSJ	Cinere-Serpong	Confirmed	35%	550	1.4
JSB	Semarang-Batang	Confirmed	20%	1,500	1.8
JMKT	Medan Kualanamu Tebing Tinggi	Confirmed	30%	824	2.4
CTP	Cibitung - Cilincing	Confirmed	55%	2,490	2.0

Source: Sinarmas Investment Research

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