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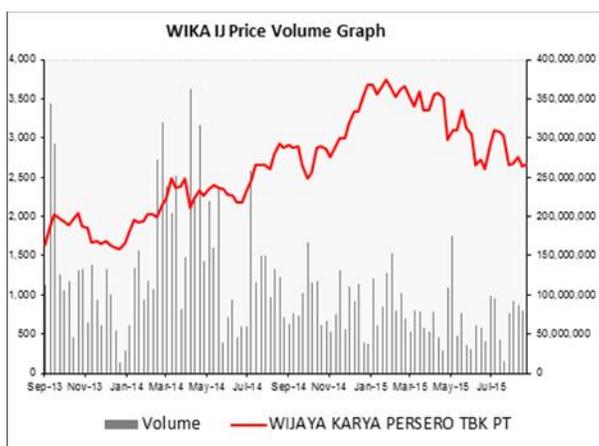
**PT WIJAYA KARYA (Persero) Tbk**

PT Wijaya Karya (Persero) Tbk is a construction-based company primarily engaged in construction, EPC, industry and real estate development. The company also invests in power plants and manufactures industrial precast concrete.

**Current Price: IDR 2,540**

**52-Week Target Price: IDR 2,780**

*Previous Target Price: IDR 3,580*



#### Share Price Performance

Price (IDR)	2,540
52-Week High (03/23/15)	3,630
52-Week Low (08/24/15)	2,370
52-Week Beta	1.49
YTD Change/%	-100/-3.79%

#### Stock Information

Market Cap (IDR)	15,619.0 B
Shares Out/Float (M)	6,149.2/2,144

#### Company Update

### PT Wijaya Karya (Persero) Tbk (WIKAJ)

#### Underutilized Expertise

**NEUTRAL**

We downgrade WIKAJ to a NEUTRAL with a target price of IDR 2,780/sh, despite FY15 revenue and earnings that beat our estimates by 23% and 4%, respectively. This implies 17x FY16E PER, 0.5 standard deviations below its 5-year median. Going forward, WIKAJ has the necessary expertise to take advantage of different types of focus infrastructure projects. However, we believe that our valuations warrant a discount to the historical median as:

**New contract achievements YTD remain a far cry from our and company's guidance.** To date, WIKAJ has recorded IDR 1.8tn in new contracts, just 3.4% of its full year target. Including lowest bids and projects where WIKAJ has been declared the winner, the number is 9.8%. With this, we lower our new contracts and revenue-to-order book forecasts by 15% and 3%, respectively.

**Involvement in Jakarta-Bandung HSR is a net negative, in our view.** Although WIKAJ is likely to book ~IDR 34 tn in civil works from the project, we highlight that margins are likely to be suppressed. As such, we forecast that the company will generate 5-7% in gross margins, below FY14/15 realization of 8%/10% within the infrastructure & building segment. Adding to the lower profitability, WIKAJ will have to inject equity to support their ownership of the project. This could alternative investments in other megaprojects that would otherwise be more profitable for the company.

**HSR involvement only adds onto already piling funding issues.** As the risk of the IDR 4tn state capital injection being cancelled looms, the company is in dire need of external funds to support its investments. As WIKAJ is potentially less able to take on ownership stakes in projects, its chances of significant contract wins from the projects are also significantly decreased. We therefore forecast, in our bull case, IDR 46tn in new contracts (v.s. IDR 53tn company guidance).

**Our valuations.** We value WIKAJ based on a DCF (WACC: 12.4%, LTG: 5.5%). We revise down our FY16 new contracts, along with FY17/18 margins as we forecast the Jakarta-Bandung HSR project to continue to contribute significant portions of the company's overall performance in those years.

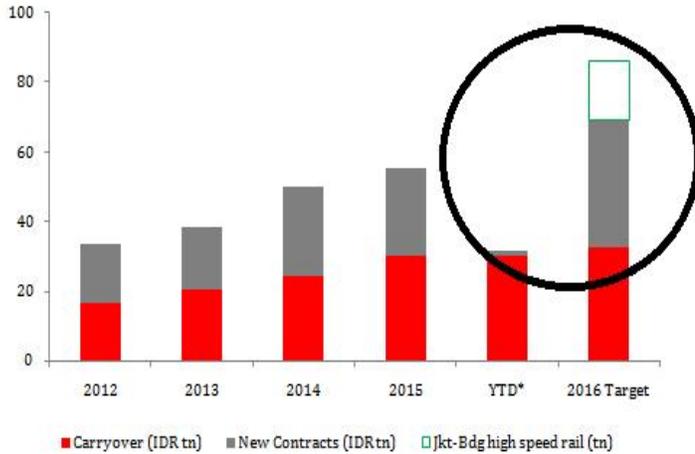
Financial Highlights	2014	2015F	2016E	2017E	2018E
Revenue (IDR bn)	12,463	13,620	24,385	29,522	30,551
% growth		9%	79%	21%	3%
Gross Profit (IDR bn)	1,425	1,655	2,217	2,621	2,718
Net Profit (IDR bn)	615	625	925	1,170	1,207
% growth		2%	48%	26%	3%
EV/EBITDA (x)		10.2	6.8	6.0	5.7
Gross Margin (%)	11.4%	12.1%	9.1%	8.9%	8.9%
Net Margin (%)	4.9%	4.6%	3.8%	4.0%	4.0%
Return on Equity (%)	18.3%	13.4%	11.6%	10.2%	9.8%
Return on Assets (%)	5.3%	4.1%	4.0%	4.0%	4.1%

Source: Company Data, Sinarmas Investment Research

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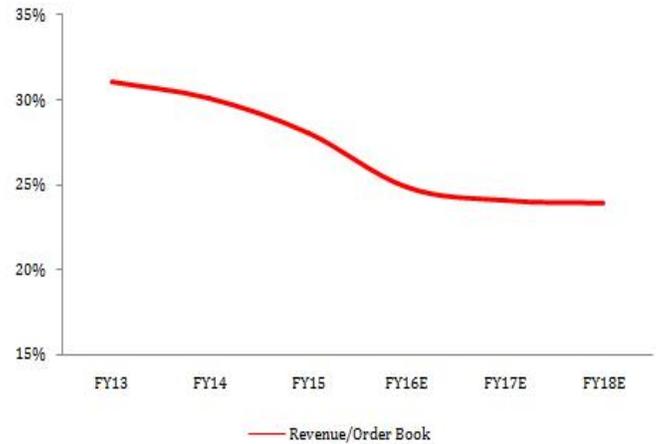
**New Contracts Are Still Far From Estimates**

**WIKA total contracts achievements**



Source: Company, Sinarmas Investment Research

**WIKA Revenue / Order Book**



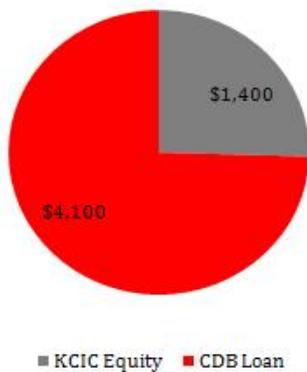
Source: Company, Sinarmas Investment Research

\*WIKA has already attained IDR 2tn in lowest bids and IDR 1.1tn in winner announced. These projects should go into WIKA's new contracts soon.

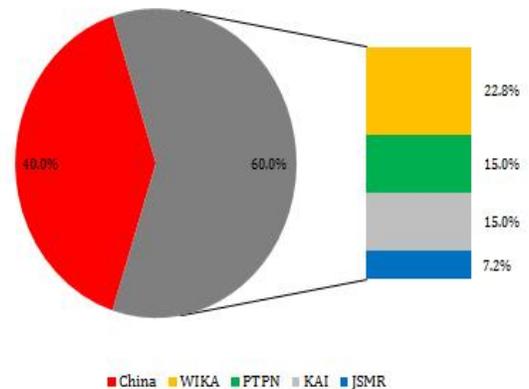
- Even including the above numbers, WIKA has only obtained 10% of its FY16 target. We therefore revise down our target to IDR 46tn.
- Continued decline in burn rate is due to the company taking on bigger projects that require longer construction time.
- Significant FY16E drop due to energy segment—FY15 new contracts from energy came in at IDR 1tn v.s. IDR 7tn in FY14.

**Jakarta-Bandung High Speed Rail Details**

**Funding Sources (USD bn)**



**Ownership Structure**



With an effective ownership of 23%, WIKA will have to inject ~USD 320mn as equity; quite a significant amount considering other investment projects in the pipeline.

Source: Bloomberg, Sinarmas Investment Research

**Appendix III: Financial Statements**

Income Statement (in IDR Mn)	2014	2015	2016E	2017E	2018E
<b>Revenues</b>	<b>12,463,216</b>	<b>13,620,101</b>	<b>24,385,432</b>	<b>29,521,777</b>	<b>30,551,114</b>
Cost Of Sales	(11,038,647)	(11,965,441)	(16,528,596)	(17,030,731)	(17,963,364)
<b>Gross Profit</b>	<b>1,424,569</b>	<b>1,654,660</b>	<b>2,216,836</b>	<b>2,621,046</b>	<b>2,717,750</b>
Operating Costs	(393,405)	(429,158)	(720,092)	(889,993)	(916,429)
<b>Operating Income</b>	<b>1,031,164</b>	<b>1,225,503</b>	<b>1,496,744</b>	<b>1,731,053</b>	<b>1,801,321</b>
Other Expenses	(255,029)	(415,824)	(441,708)	(323,312)	(340,919)
Tax Expenses	(395,094)	(395,077)	(583,465)	(731,898)	(754,188)
<b>Net Income - Attributable</b>	<b>615,181</b>	<b>625,044</b>	<b>925,482</b>	<b>1,169,638</b>	<b>1,207,231</b>
EPS (Rp.)	100.0	101.6	150.5	190.2	196.3

Balance Sheet (in IDR Mn)	2014	2015	2016E	2017E	2018E
<b>Current Assets</b>					
Cash & Near Cash Items	2,300,892	2,558,915	8,760,543	4,163,928	3,022,641
Accounts & Notes Receivable	5,092,070	5,350,631	6,965,433	7,278,041	7,834,413
Inventories	817,307	1,322,364	1,713,112	1,664,158	1,721,044
<b>Total Current Assets</b>	<b>9,514,447</b>	<b>10,798,216</b>	<b>19,439,264</b>	<b>15,342,321</b>	<b>14,905,146</b>
Fixed Assets - net	1,982,723	2,167,497	2,032,911	1,882,434	1,635,656
Investments	1,681,164	1,626,919	7,036,919	9,779,919	12,522,919
<b>Total Assets</b>	<b>15,915,162</b>	<b>18,757,413</b>	<b>32,922,114</b>	<b>31,876,130</b>	<b>34,167,673</b>
<b>Current Liabilities</b>					
Total Payables	4,152,501	4,159,467	5,752,752	6,040,233	6,458,913
Unearned Revenue	2,436,918	2,730,301	3,956,192	3,938,451	4,129,573
Short Term Debt	1,691,136	2,561,256	6,538,823	3,477,477	4,674,655
<b>Total Current Liabilities</b>	<b>8,476,042</b>	<b>10,497,174</b>	<b>17,309,941</b>	<b>14,480,010</b>	<b>16,259,574</b>
Total Loans - net	1,275,105	1,816,105	1,966,315	2,766,315	2,225,315
<b>Total Liabilities</b>	<b>10,936,403</b>	<b>13,276,611</b>	<b>20,574,845</b>	<b>18,628,239</b>	<b>19,990,215</b>
<b>Equity</b>					
Share Capital & APIC	1,320,509	1,320,509	7,474,355	7,474,355	7,474,355
Retained Earnings	1,518,306	2,020,349	2,732,970	3,633,592	4,563,159
<b>Total Liabilities &amp; Equity</b>	<b>15,915,162</b>	<b>18,757,413</b>	<b>32,922,114</b>	<b>31,876,130</b>	<b>34,167,673</b>

Financial Ratios	2015	2016E	2017E	2018E	2019E
P/E	24.32	16.47	13.13	12.74	13.56
Yield (%)	1.0%	0.7%	1.2%	1.6%	1.6%
P/B	3.81	1.51	1.39	1.30	1.22
EV/EBITDA	10.22	6.78	5.98	5.73	6.28
ROE	13.4%	11.6%	10.2%	9.8%	8.6%
ROA	4.1%	4.0%	4.0%	4.1%	3.8%
Current Ratio	1.12	1.03	1.12	1.06	0.92
D/E	1.02	2.65	1.06	1.17	0.83
Debt/Assets	0.23	0.26	0.20	0.20	0.14

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