

Bryan Sjahputra
Equity Analyst
bryan.sjahputra@sinarmassekuritas.co.id
(021) 392 5550 ext: 610

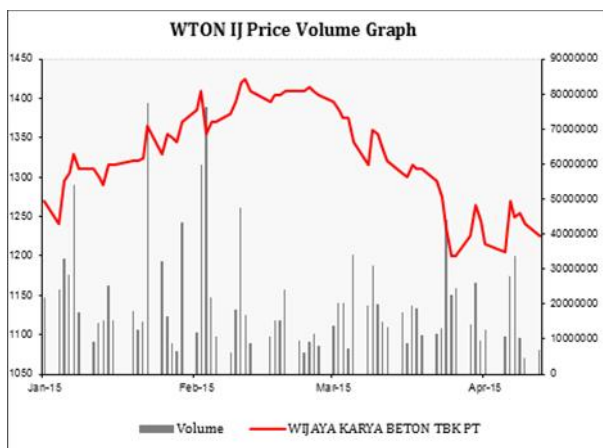


PT Wijaya Karya Beton Tbk (WTON) is an Indonesian-based company primarily involved in the manufacturing of precast concrete. The company mainly produces prestressed concrete poles, prestressed concrete piles, concrete open channels and bridge girders.

Current Price: IDR 1,010

52-Week Target Price: IDR 1,225

Previous TP: IDR 1,225



Share Price Performance

Price (IDR)	1,010
52-Week High (02/20/15)	1,430
52-Week Low (09/29/15)	765
52-Week Beta	1.20
YTD Change/%	23.64%

Stock Information

Market Cap (IDR)	8,889.8B
Shares Out/Float (M)	8,715.5 / 2,448 M

Company Update

PT Wijaya Karya Beton Tbk (WTON)

Gaining Steam

BUY

We maintain a **BUY** on WTON with an unchanged target price of **IDR 1,225/sh**, as we forecast a softer-than-expected FY15 yet turn more optimistic on the outlook for this year. This is supported by the massive infrastructure push the government has promoted, as shown by the 1M16 infrastructure budget realization that reached 7% of the FY16 target.

We see huge potential for an earnings recovery in 1Q16. This is on the back of robust contract achievements towards the end of FY15, while 1M16 contracts also reached 7% of FY16 contracts target. As WTON typically requires 2-6 months to realize contracts as revenue, we forecast IDR 1tn in revenues in 1Q16, up 134%/12% from 1Q15/1H15 realization. Assuming a normalization in margins, we could see earnings more than triple YoY.

The company is now less dependent on the Jakarta-Bandung high speed rail (HSR) than it was before. The company has guided IDR 4tn in new contracts and revenue in FY16, excluding potential contribution from the Jakarta-Bandung high speed railway. If realized, IDR 4tn in new contracts and revenues would be a YoY increase of 14% and est. 56%, respectively. Any additional contributions from the megaproject would be an upside surprise, which we think will start to materialize sooner rather than later as the President remains firm on the execution of the high speed railway.

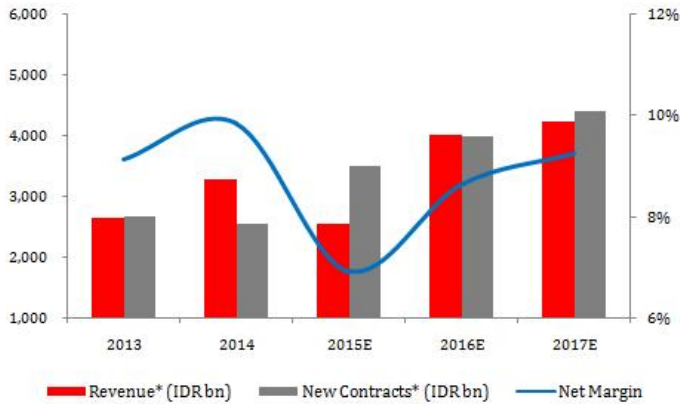
Market share loss may have started to bottom, in our view. Total sales to non-WIKA SOE contractors had fallen from 16% of total to 8% from FY14 to FY15E, underlining the loss in market share caused by more self-sufficient contractors nationwide. The risk of losing a large portion of the remaining SOE contractors customer base should be relatively low, as WTON has much more diverse plant locations compared to its competitors. This is a huge positive, as concerns over further significant loss in market share should start to erode.

Our valuations. We value WTON using a DCF (WACC: 13%, LTG: 8%). Our target price implies 31x/28x 16E/17E PER, above its historical mean. We warrant a valuation premium seeing as the company is set to be one of the main beneficiaries of a nationwide infrastructure boom.

Financial Highlights	2014	2015F	2016E	2017E	2018E
Revenue (IDR bn)	3,277	2,557	4,009	4,239	5,112
% growth		-22%	57%	6%	21%
Gross Profit (IDR bn)	487	309	505	563	667
Net Profit (IDR bn)	322	177	346	392	470
% growth		-45%	95%	13%	20%
EV/EBITDA (x)		33.0	20.3	18.1	15.2
Gross Margin (%)	14.9%	12.1%	12.6%	13.3%	13.0%
Net Margin (%)	9.8%	6.9%	8.6%	9.2%	9.2%
Return on Equity (%)		7.8%	14.2%	14.9%	16.3%
Return on Assets (%)		4.7%	8.5%	8.7%	9.5%

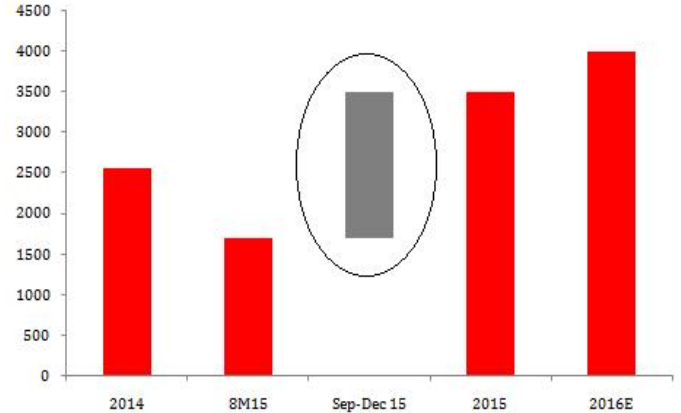
Source: Company Data, Sinarmas Investment Research

Please see important disclaimer and

Appendix I: Earnings rebound looks imminent
Expect a revenue & margin recovery in FY16


*excludes HSR contribution

Source: Company, Sinarmas Investment Research

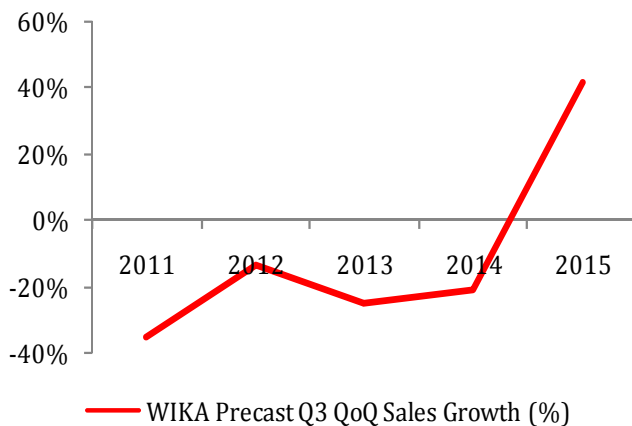
WTON New Contract Achievement


Sept-Dec 2015 new contract achievement was IDR 1.8tn, equal to:

- 71% of total FY14 achievement
- 106% of 8M15 achievement

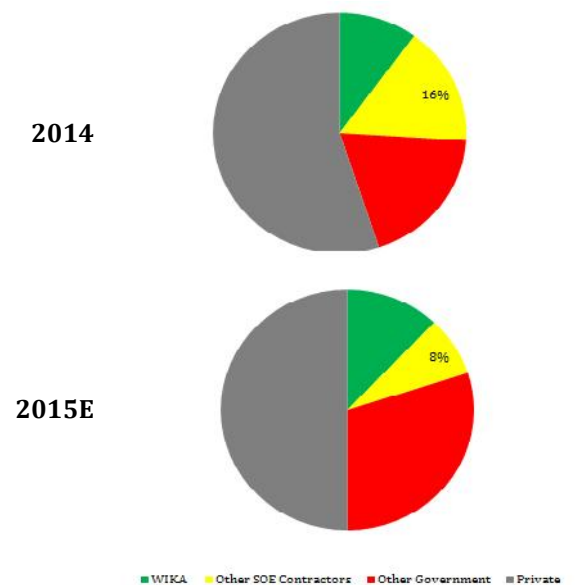
Given the ramp up in contracts attained towards the end of FY15, the company's guidance of IDR 1tn revenues in 1Q16 is **conservative**. If attained, 1Q16 revenues would be **12% more than 1H15 achievement of IDR 891 bn**.

In the same way, if our infrastructure continues the current momentum, we see a huge possibility of an upward revision in FY16E results.

Appendix II: Very encouraging signs of improvement
Promising signs amidst an otherwise lackluster 9M15...


WTON reported its first Q3 QoQ growth in five years on greater infrastructure push in Q3 15.

Source: Bloomberg, Sinarmas Investment Research

Less dependence on more self-sufficient SOE contractors


Source: Company, Sinarmas Investment Research

Appendix III: Financial Statements

Income Statement (in IDR Mn)	2014	2015	2016E	2017E	2018E
Revenues	3,277,195	2,557,077	4,009,417	4,238,792	5,112,380
Cost Of Sales	(2,790,105)	(2,247,796)	(3,504,180)	(3,675,373)	(4,445,770)
Gross Profit	487,090	309,281	505,236	563,420	666,610
Operating Costs	(78,192)	(51,371)	(84,909)	(92,019)	(107,319)
Operating Income	408,898	257,910	420,327	471,400	559,291
Other Expenses	2,623	(36,616)	12,074	18,377	27,770
Tax Expenses	411,521	221,295	432,401	489,777	587,061
Net Income	322,404	177,036	345,921	391,822	469,649
EPS (Rp.)	-	19.6	39.0	44.3	53.2

Balance Sheet (in IDR Mn)	2014	2015	2016E	2017E	2018E
Current Assets					
Cash & Near Cash Items	1,038,475	678,626	449,484	565,558	711,831
Accounts & Notes Receivable	475,689	351,930	550,444	582,659	702,304
Inventories	457,603	508,588	797,449	843,071	1,016,822
Total Current Assets	2,127,039	1,667,283	2,036,389	2,213,265	2,707,184
Fixed Assets - net	1,671,205	2,133,331	2,287,373	2,441,415	2,518,436
Other non-current assets	171,345	171,346	171,347	171,348	171,349
Total Assets	3,802,333	3,803,986	4,327,134	4,658,052	5,228,992
Current Liabilities					
Total Payables	458,531	378,185	501,902	554,105	637,548
Unearned Revenue	171,795	127,854	200,471	211,940	255,619
Notes Payable	366,000	-	-	366,000	-
Total Current Liabilities	1,509,531	1,039,184	1,356,188	1,830,415	1,667,355
Total Loans - net	-	366,000	366,000	-	458,775
Total Liabilities	1,576,556	1,473,555	1,800,857	1,909,164	2,213,409
Equity					
Share Capital & APIC	1,844,740	1,844,740	1,844,740	1,844,740	1,844,740
Retained Earnings	379,828	473,161	655,531	862,099	1,109,698
Total Liabilities & Equity	3,802,333	3,803,986	4,327,134	4,658,052	5,228,992

Financial Ratios	2015	2016E	2017E	2018E	2019E
P/E	52.01	26.16	23.05	19.18	17.73
Yield (%)	1.3%	1.8%	1.9%	1.9%	1.9%
P/B	4.10	3.93	3.64	3.36	3.07
EV/EBITDA	27.54	16.90	15.07	12.70	11.61
ROE	7.8%	14.2%	14.9%	16.3%	16.1%
ROA	4.7%	8.5%	8.7%	9.5%	9.3%
Current Ratio	1.60	1.50	1.21	1.62	1.34
D/E	0.24	0.22	0.21	0.22	0.23
Debt/Assets	0.15	0.13	0.12	0.13	0.13

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(2016). All rights reserved.