

21 FEBRUARY 2018

COMPANY UPDATE

PT WIJAYA KARYA (PERSERO) Tbk

BUY

STOCK INFORMATION

Bloomberg Code	WIKA IJ
Sector	Construction
Current Price	Rp 1,970
Target Price	Rp 2,450
Upside/Downside	24.3%
Share Out (bn shares)	8.97
Market Cap (Rp bn)	17,670.9
52 – w range (low-high)	Rp 2,210 – Rp 3,815
52 – w average daily	Rp 2,768

PRICE CHART



SHAREHOLDERS INFORMATION

Government Of Republic of Indonesia	65.05%
Employees	0.69%
Public (below 5%)	34.26%

Source: Company data

PE BAND



Roadmap to 2018

In 2018, WIKA has released 2018F guidance with total new contract target of Rp57.2 trillion or a 35% YoY increase. In 2017, the company managed to secure Rp42.4 trillion worth of new contract (accounting for 98.2% of its target). The management is confident to achieve 2018F target from the government's sustainable infrastructure project in dam irrigation, toll road & bridge projects located in outside Java and East Indonesia. We maintain our BUY call to the stock with target price at Rp2,450/share.

2018F game plan

The management has released 2018 guidance with total order book of Rp130.9 trillion, grew by 22.7 % YoY and new contract targets to reach Rp57.2 trillion. Based on its business division, the company estimates that the majority contract will come from Infra and building (64% of total new contract target), followed by Energy & Industrial Plant (15.7%), Industry division to contribute 12.6% and property division accounted for 7.4%. In 2017, 58% of the projects came from private sector, and the rest came from SOE and government (24% and 18%, respectively).

An Aggressive revenues and net profit target

The target order book translate into revenue target of Rp39.4 trillion or a strong 53% increase (vs 2017 target: Rp25.7 trillion). We think this revenue target looks aggressive as its account for 123.8% above our revenue forecast. However, the company is optimistic that it is achievable backed by government's continuing infrastructure project in dam irrigation, toll road & bridge projects located in outside Java and East Indonesia. At the bottom line, the management announced the total net profit of Rp1.96 trillion or grew by 26% YoY from its 2017 target and as the result, the company's 2018 NPM target is 4.9%.

2018 capex target to reach Rp12 trillion

The management has allocated Rp12 trillion which will be spent for capital injection of Rp7 trillion (58.7%), business development of Rp4.4 trillion (36.3%) and acquiring new fixed asset of Rp608 million (5%). In January 2018, WIKA has successfully issued global bonds called Komodo Bonds with total proceed of Rp5.4 trillion which will be used for refinancing (Rp1.7 trillion), working capital (Rp1.6trillion), capex (Rp1.2 trillion) and HSR funding (Rp900 billion).

Maintain BUY rating with adjustment of TP to Rp2,450 per share

We fully attribute the company's strong performance of 2017 order book to reflect in 2018F projections. WIKA will continue to benefit from the government's continuing infrastructure project in 2018 such as toll road (mainly in outside Java), dam irrigation and EPC of power plant & mill. Therefore, we adjust our forecast to reflect the company's revised guidance and maintain our BUY call to the stock with new adjustment of TP at Rp2,450/share represents a FY18F PER target of 9.24x and FY18F EV/EBITDA target of 3.99x and offers 24.3% potential upside. Based on yesterday's closing price, WIKA was trading at a valuation of 9.35x PER 2018F and 6.04x EV/EBITDA 2018F.

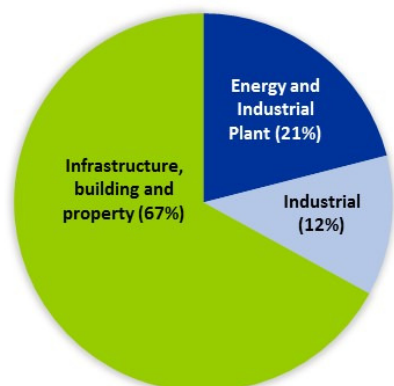
Financial Summary

(Rp billion)	2015A	2016A	2017F	2018F	2019F
Revenue	13,620	15,669	24,596	39,229	42,350
EBITDA	1,786	2,311	3,130	4,521	4,733
Net profit	625	1,012	1,200	1,855	1,893
EPS(Rp)	102	142	135	209	213
PER(x)	23.41	16.79	14.45	9.35	9.16
BVPS(Rp)	711	1,590	1,387	1,562	1,723
PBV(x)	3.35	1.50	1.41	1.25	1.13
EV/EBITDA(x)	8.73	6.26	7.92	6.04	5.32
Dividend yield (%)	1.07	1.49	1.73	2.67	2.73
RoAE (%)	15.13	12.87	10.14	14.19	13.00

Source: Company data and Lotus Andalan Research

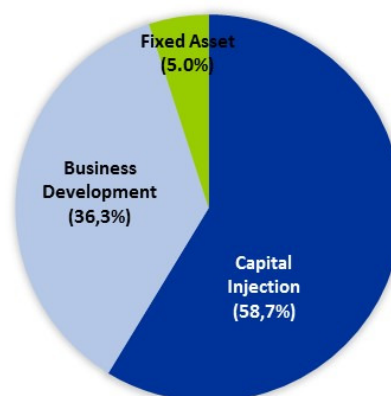
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## 2018F's New Contract Composition



Source: Company data

## Capex 2018F



Source: Company data and Lotus Andalan Research

## Forecast Revision

	2018F			2019F			2020F		
	Old	New	Chg	Old	New	Chg	Old	New	Chg
<b>Key Assumption</b>									
New Contract	45,276	57,139	26.2%	48,688	63,096	29.6%	49,456	69,759	41.1%
<b>Financial Statement</b>									
Revenue	31,883	39,229	23.0%	35,039	42,350	20.9%	39,683	43,663	10.0%
Cost of revenue	28,039	34,532	23.2%	30,866	37,305	20.9%	34,949	38,389	9.8%
Gross profit	3,843	4,696	22.2%	4,173	5,045	20.9%	4,734	5,274	11.4%
Operating Expense	1,360	1,674	23.0%	1,364	1,649	20.9%	1,627	1,790	10.0%
Operating profit	3,551	4,240	19.4%	3,514	4,249	20.9%	3,908	4,365	11.7%
EBITDA	3,831	4,521	18.0%	3,997	4,733	18.4%	4,448	4,913	10.5%
Net Profit	1,476	1,855	25.7%	1,491	1,893	27.0%	1,691	1,941	14.8%

Source: Company data and Lotus Andalan Research

## Financial Highlights of PT Wijaya Karya (Persero) Tbk

In Rp Billion									
BALANCE SHEET					INCOME STATEMENT				
	2015A	2016A	2017F	2018F		2015A	2016A	2017F	2018F
<b>ASSETS</b>									
Cash and cash equivalent	2,560	9,270	2,764	7,489	<b>Total Revenues</b>	<b>13,620</b>	<b>15,669</b>	<b>24,596</b>	<b>39,229</b>
Accounts Receivable	3,445	3,563	5,592	8,919	COGS	11,965	13,442	21,623	34,532
Inventories	1,031	1,248	2,007	3,205	<b>Gross profit</b>	<b>1,655</b>	<b>2,227</b>	<b>2,974</b>	<b>4,696</b>
Other current assets	5,524	7,472	9,756	13,730	<b>Profit (Loss) from Joint Venture</b>	<b>288</b>	<b>379</b>	<b>910</b>	<b>1,218</b>
<b>Total Current Assets</b>	<b>12,560</b>	<b>21,552</b>	<b>20,120</b>	<b>33,344</b>	Operating expenses	429	527	1,018	1,674
Fixed Assets	3,184	3,466	12,185	12,957	<b>Operating profit</b>	<b>1,514</b>	<b>2,079</b>	<b>2,866</b>	<b>4,240</b>
Investments property	392	462	412	422	EBITDA	1,786	2,311	3,130	4,521
Other noncurrent assets	3,466	5,616	4,525	4,935	Interest income	60	51	61	57
<b>Total Non-Current Assets</b>	<b>7,042</b>	<b>9,544</b>	<b>17,121</b>	<b>18,315</b>	Interest expenses	(431)	(435)	(550)	(773)
<b>TOTAL ASSETS</b>	<b>19,602</b>	<b>31,097</b>	<b>37,241</b>	<b>51,658</b>	Others	(44)	(99)	(115)	(86)
<b>LIABILITIES &amp; EQUITY</b>					<b>Total other income/(expenses)</b>	<b>(416)</b>	<b>(483)</b>	<b>(604)</b>	<b>(802)</b>
Short term loan	1,222	4,712	2,933	3,243	<b>Income before tax</b>	<b>1,098</b>	<b>1,596</b>	<b>2,262</b>	<b>3,439</b>
Accounts Payable	4,323	4,680	7,529	12,024	Tax expense	(395)	(448)	(873)	(1,327)
Current maturities - LT debts	596	695	819	6,569	<b>Net profit before minority interest</b>	<b>703</b>	<b>1,147</b>	<b>1,389</b>	<b>2,112</b>
Other current liabilities	4,456	4,519	4,130	4,872	Minority interest	(78)	(135)	(190)	(257)
<b>Total Current Liabilities</b>	<b>10,598</b>	<b>14,606</b>	<b>15,411</b>	<b>26,707</b>	<b>Net profit</b>	<b>625</b>	<b>1,012</b>	<b>1,200</b>	<b>1,855</b>
LT debt - net current maturities	717	366	5,659	6,503	EPS (Rp)	<b>102</b>	<b>142</b>	<b>135</b>	<b>209</b>
MTN	975	975	800	1,150	<b>KEY FINANCIAL RATIOS</b>				
Other noncurrent liabilities	1,874	2,651	1,919	2,148	<b>Growth (%)</b>				
<b>Total Non-Current Liabilities</b>	<b>3,567</b>	<b>3,992</b>	<b>8,378</b>	<b>9,802</b>	Revenue	9.28	15.04	56.98	59.49
<b>Minority Interest</b>	<b>1,063</b>	<b>1,147</b>	<b>1,155</b>	<b>1,300</b>	Gross profit	16.15	34.60	33.52	57.93
Capital Stock	615	897	897	897	Operating Profit	8.02	37.33	37.84	47.96
Additional paid in capital	716	6,542	6,542	6,542	EBITDA	12.16	29.39	35.44	44.44
Others equity	1,031	1,285	1,285	1,285	Net Profit	1.51	61.88	18.55	54.61
Retained earnings	2,013	2,628	3,572	5,125	<b>Profitability (%)</b>				
<b>Total Equity</b>	<b>4,375</b>	<b>11,352</b>	<b>12,296</b>	<b>13,849</b>	Gross margin	12.15	14.21	12.09	11.97
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>19,602</b>	<b>31,097</b>	<b>37,241</b>	<b>51,658</b>	Operating margin	11.12	13.27	11.65	10.81
<b>CASH FLOW STATEMENT</b>					EBITDA margin	13.11	14.75	12.72	11.52
	2015A	2016A	2017F	2018F	Net Profit margin	4.59	6.46	4.88	4.73
Net profit	625	1,012	1,200	1,855	ROAA	3.52	3.99	3.51	4.17
Depreciation & Amortization	272	232	264	280	ROAE	15.13	12.87	10.14	14.19
Change in WC	(708)	23	59	(30)	<b>Solvency (x)</b>				
Others	(101)	(1,886)	(2,672)	(3,233)	Current ratio	1.19	1.48	1.31	1.25
<b>Net Operating Cash Flow</b>	<b>89</b>	<b>(619)</b>	<b>(1,149)</b>	<b>(1,128)</b>	Quick ratio	1.09	1.39	1.18	1.13
Change in fixed assets - net	(780)	(513)	(8,983)	(1,053)	DER	0.80	0.59	0.83	1.26
Others	(106)	(2,220)	1,142	(421)	EBITDA coverage	4.14	5.31	5.69	5.85
<b>Net Investing Cash Flow</b>	<b>(886)</b>	<b>(2,734)</b>	<b>(7,841)</b>	<b>(1,474)</b>	Net debt to equity	0.22	Netcash	0.61	0.72
Change in borrowings - net	479	3,238	3,463	7,254	<b>Growth (%)</b>				
Change in equity	(3)	6,362	-	-	<b>Source: Company data and Lotus Andalan Research</b>				
Change in other liabilities	641	776	(731)	229					
Dividend payment	(173)	(158)	(255)	(302)					
Adjustment	111	(155)	8	145					
<b>Net Financing Cash Flow</b>	<b>1,056</b>	<b>10,063</b>	<b>2,485</b>	<b>7,326</b>					
<b>Change in cash</b>	<b>259</b>	<b>6,710</b>	<b>(6,506)</b>	<b>4,725</b>					
Cash at the beginning period	2,301	2,560	9,270	2,764					
Cash at the ending period	2,560	9,270	2,764	7,489					

**Notes:**

The definitions of: Lotus Andalan Research for Investment Ratings:

- **BUY** : +15% and above over the next 12 months
- **Neutral** : -15% to +15% over the next 12 months
- **SELL** : -15% and worse over the next 12 months

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