

## Wijaya Karya (WIKA IJ; Buy)

## Growing new contracts

- Two major projects as potential catalysts
- New contracts grew 51% yoy ytd May
- Robust earnings growth outlook
- Maintain BUY with lower TP of Rp3,900.

**Positive catalysts from two major projects.** We met the company last week and learned that the company is working to obtain significant new contracts in 2H15 from two major projects. The first project is 2x1,000MW Steam-fired power plant in Banten with total investment of Rp40tn. Currently, WIKA and consortium (SSP and CNEC) has passed the pre-qualification process with the other five consortiums. The second project is Jakarta-Bandung High-speed train (estimated investment cost Rp80tn), which is in feasibility study schedule for completion in August 2015. We believe WIKA has the competitive advantage to win these projects, given its experience in several power plants and Mass Rapid Transit (MRT) in Jakarta.

**Solid ytd May new contracts achievement.** By end of May 2015, the company booked 5M15 new contracts of Rp9.3tn (+51% yoy), on track to achieve its FY15 new contracts target of Rp31tn (+76% yoy). In 5M15, projects from private sector played a dominant role, contributing around 50% to company's new contracts, while the remaining 35% came from government and another 15% from SOEs. Some projects contributed to company's 5M15 new contracts were a building project in Surabaya (Rp1.4tn), a dam project in South Sulawesi (Rp463bn) and Balikpapan-Samarinda toll road (Rp290bn). The company expects to book Rp11tn new contracts in 1H15, following the expectation to see more realization of government infrastructure projects.

**FY14-16F earnings CAGR of 19%.** Despite slow 1Q15 earnings (down 63% yoy and 71% qoq) on the back of slow performance of its precast division and slow government infrastructure spending, we estimate WIKA to book improved earnings in the subsequent quarters. Greater infrastructure spending, growing new contracts as well as the seasonality of improved performance in 2H15 would support the company to book FY15 top line of Rp16tn (+28% yoy). We estimate strong top line growth to support higher FY15 earnings of Rp743bn (+21% yoy). We forecast the company to book FY14-16F net profit CAGR of 19%.

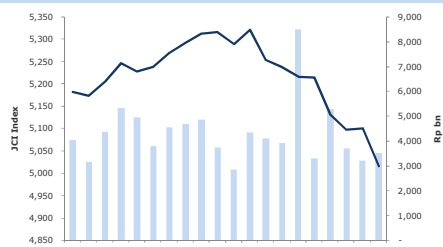
**Maintain BUY.** At the current price, WIKA is trading at FY15-16F P/E of 23.7-18.2x, at par with sector. From its peak in the past year, the share price already tanked 21% ytd, which would provide a good opportunity to buy, in our view. We reiterate our BUY recommendation on WIKA with lower TP of Rp3,900, with implied FY16F P/E of 24.8x, on the back of its solid execution and proven track record.

Year To 31 Dec	2013A	2014A	2015F	2016F	2017F
Revenue (RpBn)	11,885	12,463	16,001	19,457	23,664
EBITDA (RpBn)	1,075	1,219	1,521	1,847	2,173
EBITDA Growth (%)	41.9	13.4	24.8	21.4	17.7
Net Profit(RpBn)	570	615	743	967	1,301
EPS (Rp)	93	100	121	157	212
EPS Growth (%)	19.7	7.9	20.8	30.2	34.5
Net Gearing (%)	8.9	14.7	12.8	11.5	-4.5
PER (x)	30.9	28.6	23.7	18.2	13.5
PBV (x)	5.4	3.5	3.1	2.7	2.3
Dividend Yield (%)	0.8	1	1	1.3	1.7
EV/EBITDA (x)	16.1	13.8	11.1	9.1	8.3

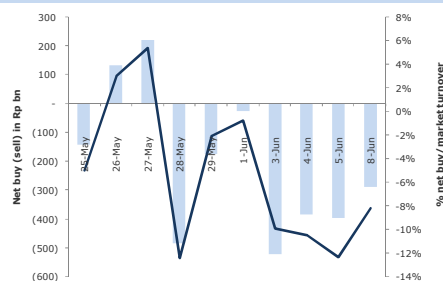
Source : WIKA,IndoPremier

Share Price Closing as of : 05-June-2015

## JCI Index



## Foreign net buy (sell)



## Key Indexes

Index	Closing	1 day	1 year	YTD
JCI	5,015	-1.7%	2.7%	-4.1%
LQ45	863	-2.0%	4.8%	-3.9%
DJI	17,767	-0.5%	4.9%	-0.3%
SET	1,508	0.1%	3.5%	0.7%
HSI	27,316	0.2%	18.2%	15.7%
NKY	20,457	0.0%	35.3%	16.3%
FTSE	6,790	-0.2%	-1.2%	3.4%
FSSTI	3,320	-0.4%	0.5%	-1.3%

## Commodity price

Commodities	Last price	Ret 1 day	Ret 1 year
(in USD)			
Oil/barrel (WTI)	58.1	-1.7%	-43.4%
CPO/tonne	621.3	-0.3%	-3.4%
Soy/bushel	9.4	0.7%	-35.9%
Rubber/kg	1.9	-0.4%	-3.4%
Nickel/tonne	13,405	2.0%	-28.7%
Tins/tonne	15,412	0.9%	-33.5%
Copper/tonne	5,939	0.2%	-11.3%
Gold/try.oz (Spot)	1,174	0.2%	-6.2%
Coal/tonne*	61.8	-1.0%	-25.4%
Corn/bushel	3.6	1.4%	-21.7%
Wheat/bushel**	223.3	-3.2%	-31.3%

\* : 1 week change

\*\* : 1 month change

Source : Bloomberg

## News & Analysis

### Corporates

**AUTO:** Astra Otoparts (AUTO IJ; Rp2,525; Buy) has been appointed as the distributor for Pirelli tires in Indonesia. This is a follow up in business relation since Astra Otoparts and Pirelli formed a joint venture, Evoluzione Tyre, that manufactures Pirelli motorcycle tires. This new joint venture is expected to start commercial operation in Jul15. Pirelli's product will be available in Astra Otoparts retailer chain. Additionally Astra Otoparts will penetrate this product through Speedshop, modern retail chain and tire specialist. Pirelli product will aimed at mid to large sized motorcycles, a growing market. (Investor Daily)

*Comment: This is a intensification of the business relation of Astra Otoparts and Pirelli. The tire market for mid-big size motorcycle is a niche market. Therefore, contribution is expected to be minimal. Nevertheless, the new factory will aim on the export market and only a small portion will be allocated to the domestic market.*

**UNVR:** Despite a weakening Rp currency, Unilever Indonesia (UNVR IJ; Rp41,550; Hold) will not aggressively increase price as what it did in 2014. Rather, fully hedged borrowings, cost savings, and price hike (1% in 1Q) are tools that are taken to anticipate further Rp depreciation. For its expansion plan, UNVR will pursue inorganic growth only if there is an available opportunity at an attractive price and mentions that it has yet to have "mayonnaise" under its portfolios. In addition, the company will spend around Rp1.2tn to strengthen its distribution and to add ice cream cabinet this year. (Bisnis Indonesia)

**KAEF:** Kimia Farma (KAEF IJ; Rp995; Not rated) aims Rp500bn in revenue from unbranded generic e-catalogue tender and has so far obtained Rp400bn out of it. While margins for unbranded generics tend to be low, the company believes this will be compensated by higher sales volumes. In addition, to support the growing generic drugs business, the company is more than ready to increase its production capacity. (Bisnis Indonesia)

### Markets & Sector

**Automotive sector:** The Motorcycle association has lowered its estimates on 2W sales volume to 6.8-7.0mn in FY15. Astra Honda motor, a subsidiary of Astra International (ASII IJ, Rp , Buy) has also lowered its target inline with association to 4.6-4.7mn units in FY15. (Bisnis Indonesia)

**Property sector:** Industrial sources stated that the government should not implement luxury tax for property products below Rp5bn/unit, as it would negatively affect property market. Real Estate Indonesia (REI) and the director of Ciputra Development (CTRA IJ; Rp1,380; Buy) share the same view that, with current slow property market, the implementation of luxury tax would worsen the market condition. (Investor Daily)

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### INVESTMENT RATINGS

BUY : Expected total return of 10% or more within a 12-month period  
HOLD : Expected total return between -10% and 10% within a 12-month period  
SELL : Expected total return of -10% or worse within a 12-month period

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