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## Sector Coverage Initiation

# Construction Sector

### *Cashing in on Building Boom*

#### OVERWEIGHT

**Initiating with an overweight.** We initiate coverage on the construction sector with positive view as the sector stands to benefit from: i) an accelerating economy, ii) rising infrastructure spending, iii) improving government regulations, and iv) low historic interest rates. We believe the sector is heading for growth, with aggregate revenue reaching its highest, backed by expansion in order books. We expect contractors to register a net profit CAGR of 22% over the next two years. The sector valuations have become more appealing with PER of 9.3-7.9x in 2011-12f. The above factors underpin our overweight call on the sector. Our key pick is WIKA given its bright growth outlook, strong balance sheet and diversified operations.

#### Accelerating growth

We are looking at 8%-10% growth for the Indonesian construction sector in 2011-12f as historical data shows it expands at about 1.4x of GDP. This will be driven mainly by increased infrastructure development and strong macro fundamentals. The sector's contribution to total GDP is gradually improving from 5.9% in 2005 to 6.5% in 2010.

#### Growing order books to pump up earnings

We estimate that Indonesian contractors will grow their aggregate revenue by a CAGR of 20% from 2010-12f on higher order books. We also expect stable margins as cost pressures from higher inflation will be mitigated by strong profitability from EPC contracts and investment projects. Based on the growing order books and stable margins, we expect contractors to register a net profit CAGR of 22% over the next two years.

#### Valuation and top pick

The sector is now trading at 9.3x-7.9x 2011-12f earnings, or at a 32-34% discount to the JCI's valuation, respectively. We expect the discount to narrow as we believe that construction companies would be able to deliver. In our view, the sector's bullish outlook is becoming more apparent in view of the robust infrastructure development activities. We like WIKA the most as we see better value emanating from its higher EPS growth, strong balance sheet, more diversified operations and strong growth outlook. We initiate coverage on WIKA with a target price of IDR810, based 15.3x its 2011 earnings.

#### Risks

We believe the risks to the construction sector include: i) risks associated with infrastructure projects such as changes in government regulations, financing availability, delay in land clearance and changing IRR expectations, ii) increasing competition, iii) rising building material prices, and iv) thin trading liquidity.

Company	Ticker	Price	TP	Potential	Rating	PER		EPS CAGR	EV/EBITDA		N.DER(x)	ROE(x)
		IDR	IDR	Upside (%)		2011F	2012F	2010-2012F	2011F	2012F	2011F	2011F
Wijaya Karya	WIKA IJ	660	810	23	Buy	12.4	10.5	29.1	5.6	4.8	Net cash	16.3
Adhi Karya	ADHI IJ	800	950	19	Buy	6.3	5.6	18.5	3.0	2.6	0.5	22.0
Total Bangun Persada	TOTL IJ	250	290	16	Buy	8.6	7.0	19.8	2.3	1.9	Net cash	13.5
Duta Graha Indah	DGIK IJ	134	135	1	Neutral	9.9	8.6	11.8	3.3	3.3	Net cash	7.3
<b>Sector</b>					<b>Overweight</b>	<b>9.3</b>	<b>7.9</b>	<b>21.8</b>				

## Investment Thesis

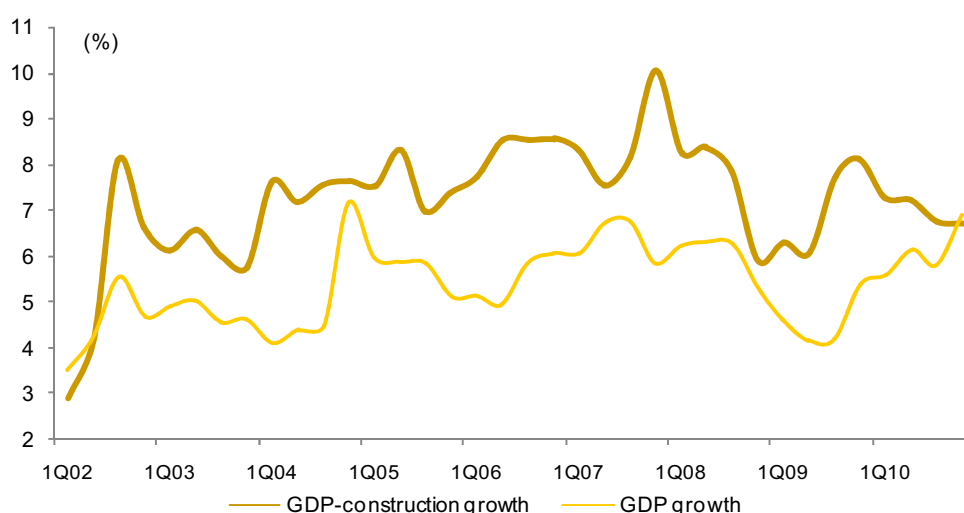
### Initiating with an overweight

We initiate coverage on the construction sector with positive view as the sector stands to benefit from: i) an accelerating economy, ii) rising infrastructure spending, iii) improving government regulations, and iv) low historic interest rates. We believe the sector is heading for growth, with aggregate revenue reaching its highest, backed by expansion in order books. We expect contractors to register a net profit CAGR of 22% over the next two years. The sector valuations have become more appealing with PER of 9.3-7.9x in 2011-12f. The above factors underpin our overweight call on the sector. Our key pick is WIKA given its bright growth outlook, strong balance sheet and diversified operations.

### Accelerating growth

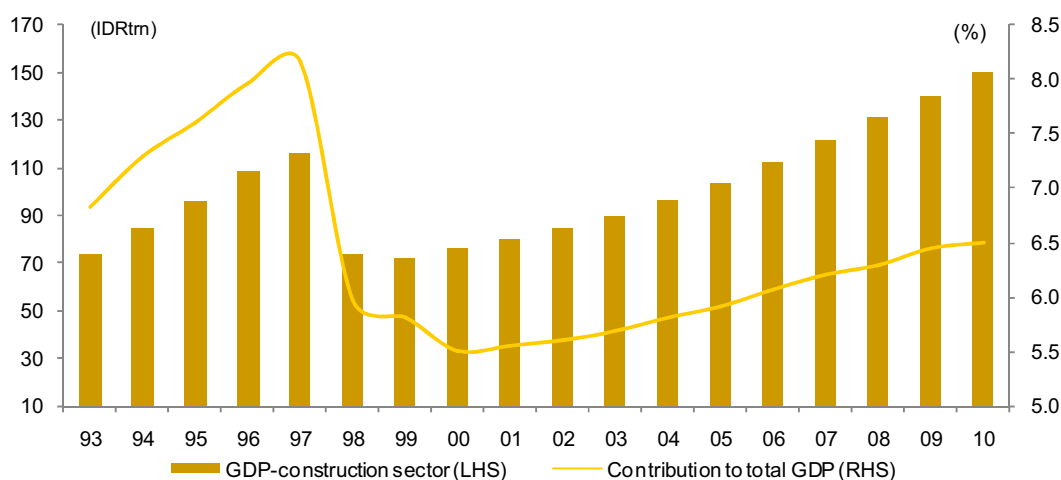
We expect GDP to rise from 6.1% in 2010 to 6.3% in 2011 driven mainly by strong domestic demand, higher exports on rising commodity prices, as well as increasing investment. Thus, we are looking at 8%-10% growth for the Indonesian construction sector in 2011-12f as historical data shows that GDP from the construction industry expands at about 1.4x total GDP growth, with the sector's contribution to total GDP gradually improving to 5.9% in 2005 to 6.5% in 2010. For comparison purposes, the sector contributed to 6.8%-8.2% of total GDP prior to the Asian financial crisis.

**Exhibit 1: GDP growth vs. GDP-construction growth**



Source: Bloomberg

**Exhibit 2: GDP-construction and contribution to total GDP**



Source: Bloomberg, OSK Research

Another evidence of strong construction activities is that sales of construction heavy equipment (machinery) almost doubled to 2,283 units in 2010 from 1,151 units in 2009, chalking up the highest growth compared with sales of mining equipment (+87%), forestry equipment (+68%) and agro equipment (+46%).

### Boost from rising infrastructure spending

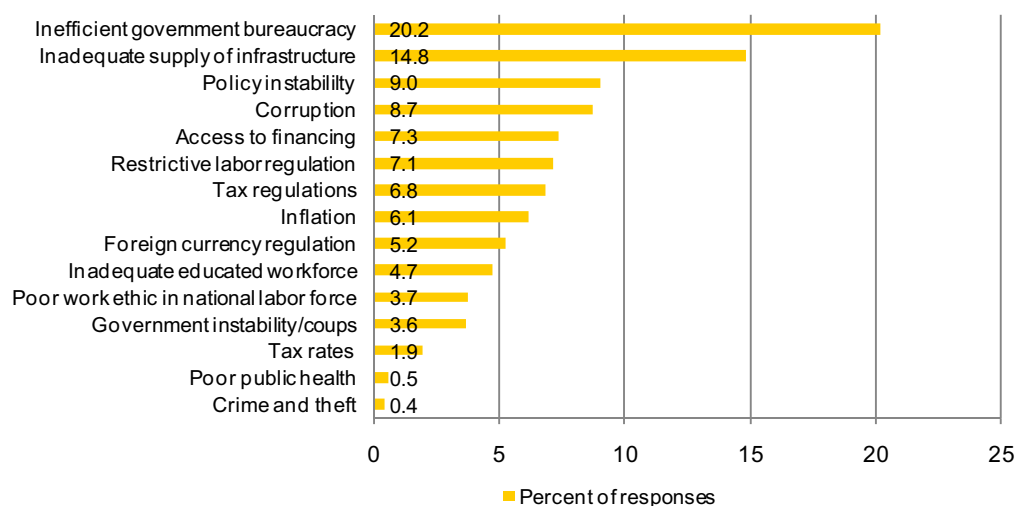
Increased infrastructure spending is necessary to enable Indonesia to achieve a sustainable GDP growth rate of over 6% pa. For instance, the lack of infrastructure (especially toll roads and power plants) has often been cited as the main drawback to attracting manufacturing foreign direct investment (FDI) to Indonesia. The country ranked 84 in terms of infrastructure competitiveness out of 134 countries, according to a 2009 report on world competitiveness, significantly inferior to Malaysia (in 27<sup>th</sup> place), Thailand (41) and China at 66<sup>th</sup> place. This also indicates that Indonesia's infrastructure is slowing down as its rating was better than China, Thailand and Taiwan in 1996. Investors also picked inadequate supply of infrastructure as the second most problematic factor in doing business in Indonesia, according to the World Economic Forum's Competitive Survey of investors in 2009.

### Exhibit 3: Infrastructure competitiveness rating

	Korea	Malaysia	Thailand	China	Brazil	Indonesia	Argentina	Phillipines	Vietnam
Infrastructure	20	27	41	66	81	84	94	98	111
Roads	14	24	35	50	106	94	84	104	102
Railroad	8	19	52	27	86	60	78	92	58
Port	36	19	47	61	127	95	85	112	99
Air Transport	21	27	26	80	89	68	113	100	84
Electricity	21	39	41	61	55	96	97	87	103
Telephone	23	72	84	49	61	79	52	102	36
Electricity	21	39	41	61	55	96	97	87	103
Telephone	23	72	84	49	61	79	52	102	36

Source: World Economic Forum's Competitive Survey

### Exhibit 4: Problematic factor for doing business

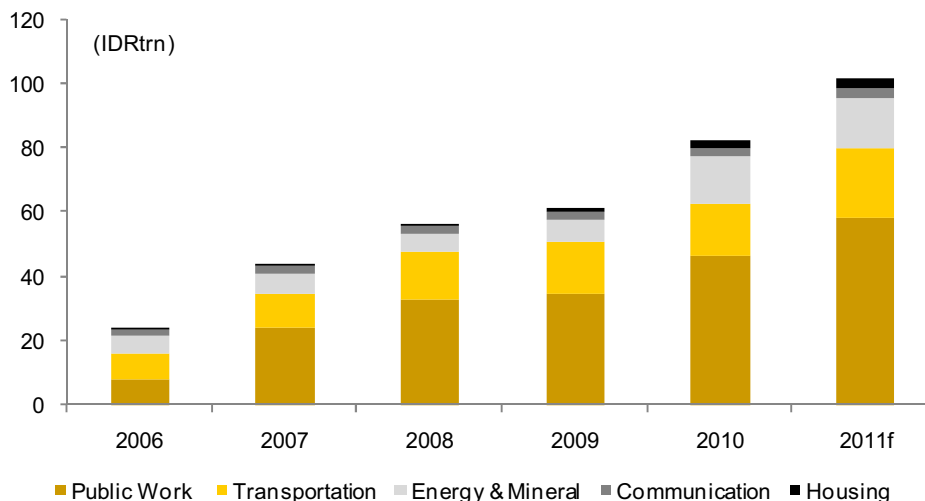


Source: World Economic Forum's Competitive Survey

An example of slow infrastructure development in Indonesia is that its length of roads only grew by a CAGR of 2.1% from 1990-2008 (i.e. from 290,000 km to 421,000 km), lagging the 9.2% CAGR in vehicles (combination of passenger cars, trucks and buses) of 2.8m units to 13.4m units, which led to ratio of car/km more than tripling from 10 to 32 over that period.

The government is fully aware of the problem and has been trying to resolve this by inviting the private sector to participate in infrastructure projects. As for the grand design, the government will focus its spending on infrastructure projects that are less or not economically feasible, while the economically feasible ones will be tendered to the private sector. The Indonesian government has raised its infrastructure spending for 2011 by 28% y-o-y to IDR121trn (USD13.4bn) for 2011, which implies an overall 10% increase in infrastructure spending in relation to the government's entire budget from 8% in 2010. Another government measure to improve infrastructure this year is by raising the Public Works Ministry's budget by 60% y-o-y to IDR54tr for 2011, which is the highest among all departments.

#### Exhibit 6: Infrastructure breakdown by Ministry (Department)



Source: Bappenas, Finance Ministry

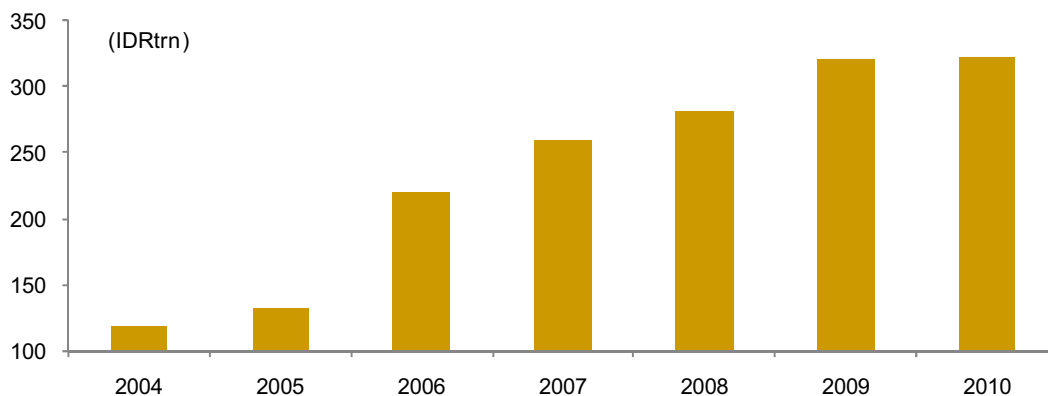
The government, through Bappenas, estimates that infrastructure financing totaling IDR1,430trn (USD159bn) is required for 2010-2014, 35% of which would be supplied by the government and the remaining 65% to be financed through Public Private Partnership (PPP) programs. The government will offer 100 new PPP projects worth USD47.3bn over the next five years. Toll road projects make up USD27bn and the other projects are for the power sector, air transport, railway, water supply and marine transport. The total USD159bn in funds required implies that an infrastructure spending of 4% of GDP from the less than 2% of GDP currently. Higher budget spending will serve to give the sector a much needed lift.

#### Exhibit 7: PPP Projects by sector and number of projects

No.	Sector/Sub-sector	# of projects	Investment (USDbn)
1.	Toll Road	35	26.9
2.	Water Supply	24	1.8
3.	Marine Transportation	12	2.9
4.	Railways	9	9.5
5.	Solid waste and Sanitation	6	0.3
7.	Air Transportation	7	1.6
8.	Power	5	4.0
9.	Land Transportation	2	0.3
	<b>Total</b>	<b>100</b>	<b>47.3</b>

Source: Bappenas, OSK Research

Moreover, the introduction of greater regional autonomy since 2001 led to increasingly higher allocation for spending and accelerating the development of the country's provinces, which in turn lifted regional construction demand. The allocation from the central government to regional provinces grew at a CAGR of 18% from 2004-2010 to more than IDR322trn. This should benefit contractors with a wide presence across Indonesia such as ADHI, WIKA, and DGIK.

**Exhibit 8: Government Expenditure for Regional Transfer**

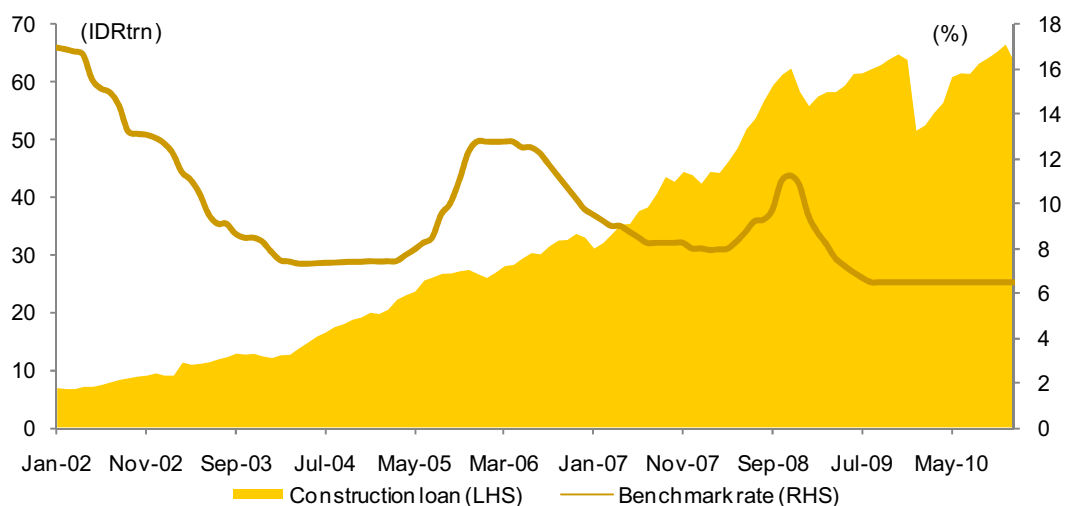
Source: Ministry of Finance

**Improving regulation a big boost**

Besides its huge financing needs, we view regulations related to land acquisition and land clearance as the main obstacles to Indonesia's infrastructure development. The government has submitted the land acquisition bill to Parliament for discussion and approval and is expected to be passed in 1H11 given it is supported by major political parties. The bill will facilitate and accelerate infrastructure projects by break the deadlock in the land acquisition process. It would also give the government the authority to cancel land-right certificates and transfer ownership to itself if the land is required for government and PPP infrastructure projects. Moreover, in a bid to expedite the progress of construction activities and to save cost, the government has upgraded to an electronic-based or online tender process (e-procurement), which is a significant change from manual system in the past.

**Low interest rates to spur demand**

Even if our economist expects benchmark interest rate (BI rate) to increase by 75bps to 7.5% this year, this is historically still low for the Indonesian economy. We also believe that loans to the construction sector will grow in line with the expected banking industry loan growth of 21% this year. In the past, Indonesia's banking loan growth metrics tended to correlate to a multiple of around 4 times GDP growth.

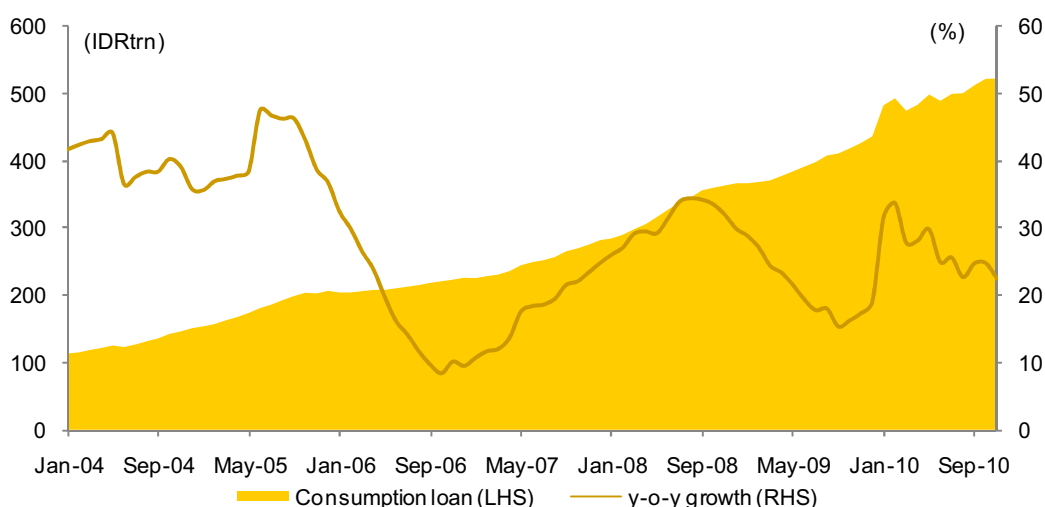
**Exhibit 9: Construction loan vs. Benchmark interest rate**

Source: Bloomberg, Bank Indonesia

### Robust property demand

Construction companies will also benefit from increasing demand for property development as it will boost demand for the construction of houses and apartments. Exhibit 10 shows that consumption loan, of which 35% is property loans, has grown by an average 28% annually over the last six years.

**Exhibit 10: Consumption loan and growth**



Source: Bloomberg, Bank Indonesia

### Growing order books to pump up earnings

We estimate that Indonesian contractors will grow their aggregate revenue by a CAGR of 20% from 2010-12f. Based on contracts carried over plus new tenders submitted, an assuming a hit rate of 25%, contractors' order books are expected to be beefed up to a total of IDR27trn in 2011, of which IDR11.3trn would be converted as revenue. We also expect stable margins as cost pressures from higher inflation will be mitigated by strong profitability from EPC contracts and investment projects. Based on the growing order books and stable margins, We expect contractors to register a net profit CAGR of 22% over the next two years. As construction companies have secured some 15%-20% of their targeted projects YTD, we see relatively minimal risks of earnings volatility.

**Exhibit 11: Key assumptions**

	2009	2010f	2011f	2012f
Order book (IDRbn)				
WIKA	17,907	20,688	25,880	28,291
ADHI	13,104	13,535	19,138	20,373
TOTL	3,374	3,360	3,418	4,036
DGIK	3,200	3,600	4,150	4,890
<b>Total</b>	<b>19,678</b>	<b>20,495</b>	<b>26,706</b>	<b>29,299</b>
Revenue (IDRbn)				
WIKA	6,591	6,465	7,916	9,821
ADHI	7,715	6,166	8,059	9,779
TOTL	1,731	1,564	1,743	2,058
DGIK	1,289	1,315	1,512	1,793
<b>Total</b>	<b>10,734</b>	<b>9,044</b>	<b>11,315</b>	<b>13,631</b>
Net profit (IDRbn)				
WIKA	189	226	318	377
ADHI	166	184	227	259
TOTL	52	68	80	98
DGIK	67	69	75	87
<b>Total</b>	<b>284</b>	<b>322</b>	<b>382</b>	<b>444</b>

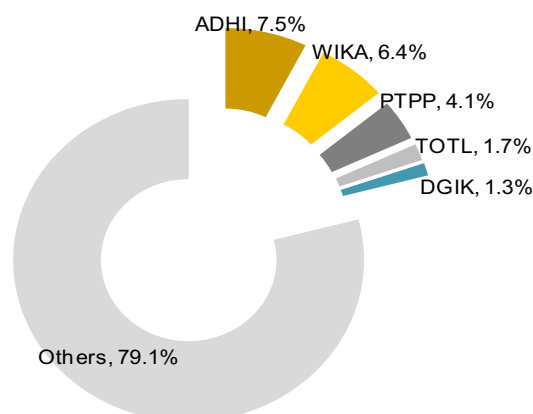
Source: Company, OSK Research

## Industry analysis

### Fragmented industry equals low margins

Based on data released by the Indonesian Contractor Association (Gapensi), the Indonesian construction sector is highly fragmented as there are around 154,000 contractors across the country. These comprise large (1,493 contractors), medium sized (16,987 contractors) and small (135,520) contractors. They are owned by the government (Adhi Karya, PTPP, Wijaya Karya, Hutama Karya, etc) and private sectors, including 72 foreign contractors like Leighton Holdings Ltd, Kajima, Daewo Engineering, China Communications Construction and etc. Based on industry revenue share in 2009, we found that state-owned contractors like ADHI, WIKA and Pembangunan Perumahan (PTPP) dominate the industry.

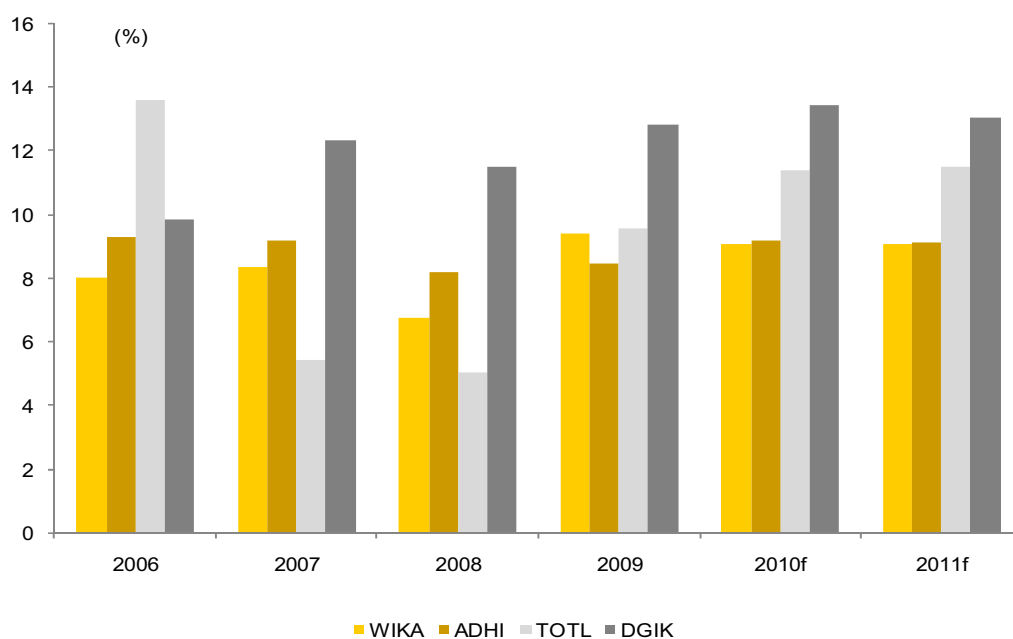
**Exhibit 12: Market Share by Revenue**



Source: Company, OSK Research

Meanwhile, intense competition, due partly to low barriers to entry and capital requirements, is one of the main reason why construction companies command relatively low margins.

**Exhibit 13: Contractors gross margin**



Source: Company, OSK Research

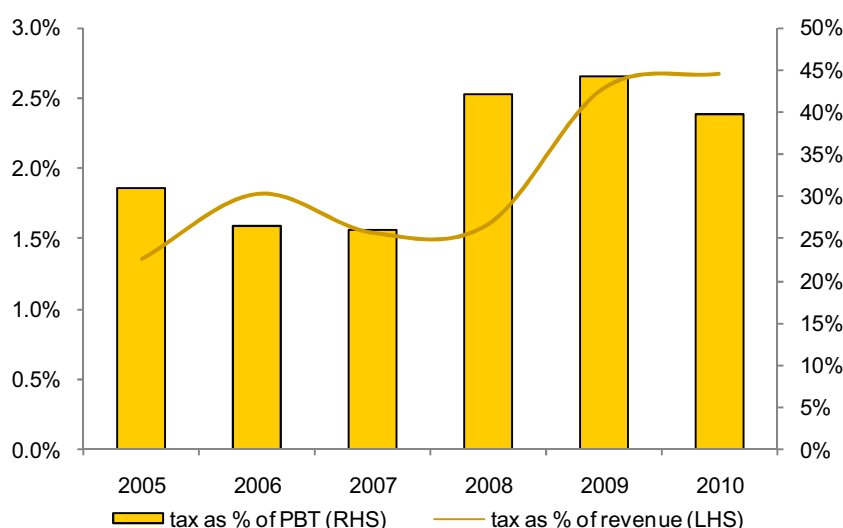
### Materials form the largest cost

We learn that material cost accounts for around 39% of a contractor's costs. Making up the balance are sub-contractor cost (37%), direct & indirect labor (9%), equipment (8%) and general expenses (7%). We believe the rising cost of material would not severely squeeze margins as all Indonesian contractors usually lock in 1-year contracts for their materials, which reduces their exposure to cost vagaries. Within this context, contractors favor government-owned projects over private ones as the former includes an escalation clause for cost increases in their project.

### Paying higher effective taxes

In order to minimize tax avoidance and promote competition in the construction sector, the government imposed a new tax regulation in 2008 (PP no.51/2008), which requires construction companies to pay a final fixed tax of 3% on its revenue. Most contractors started complying with this new regulation only in 3Q-2008. This new ruling led to a higher effective tax rate as most contractors paid in average tax rate of 2.6% of revenue in 2009 vs 1.6% in 2008. This also implies a higher effective income tax rate of above 40% since 2008 vs 28% before that. In addition, this tax ruling forces companies to pay tax regardless whether they lose money in a project or not. However, some construction companies appear to be successfully managing the higher taxes by passing on them on to their clients. Please note that the effective tax payment may not be precisely 3% of revenue as invoices submitted to clients may lag revenue booking.

**Exhibit 14: Tax rate as % of Revenue and PBT**



Source: Company, OSK Research

### Diversification a big plus

Our discussions with construction companies reveal that they mostly want to diversify their investment portfolio by venturing out of their core business in the search for better margins and to smoothen their cyclical earnings. They seek to get construction work at the beginning of project and to achieve recurring income afterwards. Adhi Karya plans to invest in property, developing idle land owned by a non-construction state-owned company and be involved in more investment infrastructure projects. Wijaya Karya has expanded into power plants (IPP) and plans to set up an asphalt unit by setting up a JV with Timah (TINS) while Duta Graha plans to venture into mining contracting by establishing a 50:50 JV with an Australian listed mining contractor (Macmahon). Total, meanwhile, has also set up property development unit.

## Valuation and Top Pick

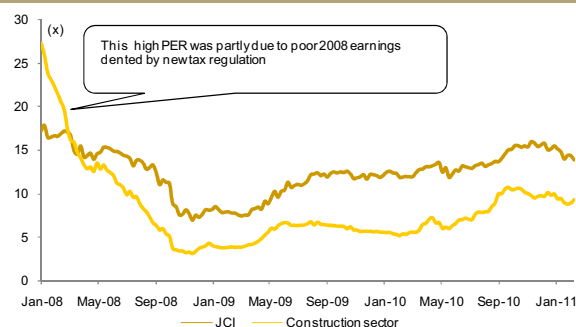
Construction stocks have been underperforming the JCI since early 2008 (we use this as starting point as WIKA and DGIC went public only in 4Q2007). This is due partly to their low trading liquidity, with daily turnover averaging at USD700k. The sector is now trading at 9.3x -7.9x 2011-12f earnings, or at a 32-34% discount to the JCI's valuation, respectively. We expect the discount to narrow as we believe that construction companies would be able to deliver. In our view, the sector's bullish outlook is becoming more apparent in view of the robust infrastructure development activities.

**Exhibit 15: Construction stock performance vs JCI**



Source : OSK Research, Bloomberg

**Exhibit 16: Construction sector PER vs. JCI's PER**



Source : OSK Research, Bloomberg

We like WIKA the most as we see better value emanating from its higher EPS growth, strong balance sheet, more diversified operations and strong growth outlook, being one of the largest contractors. WIKA is also the most liquid construction stock. We initiate coverage on WIKA with a target price of IDR810, based 15.3x its 2011 earnings or +1 st.dev above its historical average PER. Its earnings growth catalysts are more contracts being awarded and growing investment in infrastructure projects.

## Risks

We believe the risks to the construction sector include: i) risks associated with infrastructure projects such as changes in government regulations, financing availability, delay in land clearance and changing IRR expectations, ii) increasing competition, iii) rising building material prices, and iv) thin trading liquidity.

i) Risks associated to infrastructure projects are (a) changes in government regulations, which may impede infrastructure progress, (b) financing, which relies more or less on global liquidity, (c) land acquisition, which may delay projects to the extent that it threatens a project's economic viability, and (d) changing IRR expectations, which may result in projects becoming economically unattractive.

ii) Heightened competition: The sector is a highly competitive and commands low margins. Additional competition from the regional players could adversely affect margins. Projects financed by foreign loans normally require the involvement of contractors from the creditor's country.

iii) Rising building material prices and costs. A typical contract for a government-related project carries standard clauses covering cost escalation in the event of unusual volatility in basic material costs. Contracts from the private sector are less standardized and typically carry higher risk for contractors.

iv) Thin stock trading liquidity



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## Initiating Coverage

# Wijaya Karya

### Multi-talented construction company

#### BUY

Target

IDR660

Previous

Price

IDR810

#### CONSTRUCTION

Wijaya Karya (Persero) is engaged in providing construction services. Its business segments are construction, industrial, real estate, trading and mechanical & electrical

#### Stock Statistics

Bloomberg Ticker	WIKA IJ
Share Capital (m)	6,001
Market Cap (IDRbn)	3,961
52 week H L Price (IDR)	360   770
3mth Avg Vol ('000)	11,703
YTD Returns (%)	-2.1
Beta (x)	0.89

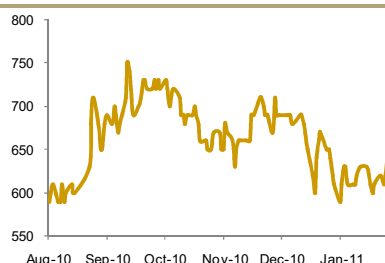
#### Major Shareholders (%)

Government of Indonesia	66.3
Public	33.7

#### Share Performance (%)

Month	Absolute	Relative
1m	0	-2.1
3m	-12	-4.2
6m	26.6	15.9
12m	113.2	78.6

#### 6-month Share Price Performance



**Initiating coverage with Buy and TP of IDR810.** We prefer WIKA to other construction peers as we see better value given its higher EPS growth, strong balance sheet, more diversified operation and strong growth potential given that it is one of the country's largest contractors. It is also the most liquid construction stock. We initiate coverage on WIKA with a target price of IDR810, based 15.3x its 2011 earnings, or +1 st.dev above its historical average PER. More contracts award and investment in infrastructure projects will be the stock's earnings growth catalyst.

**Integrated business provides more stable and recurring earnings.** With its diversification into construction, pre-cast concrete, property and trading, WIKA should benefit from increased construction activities, rising investments and the expansion of power plants in the country. WIKA also has expertise in Mechanical & Electrical (M&E) and Engineering, Procurement and Construction (EPC). This wide diversification gives WIKA earnings that are less subject to seasonal or cyclical factors than its peers.

**Earnings to grow at a CAGR of 29% from 2010-12f.** Based on IDR13trn worth of contracts carried over from last year and its targeted new contracts totaling IDR12trn, we see WIKA's revenue booking grow to IDR7.9trn (+24% y-o-y) and IDR9.8trn (+22% y-o-y) in 2011-201F, respectively. We assume gross margins of around 9% vs the average historical 8% seen for the last 6 years, as we expect EPC and investment projects to boost margins. Thus, we are looking at an earnings CAGR of 29% for 2010-2012f, which is the highest among Indonesian construction companies.

**Solid financials support expansion.** The company plans to use its cash-rich position to partly finance future investments such as a power plant in Ambon and an asphalt processing plant in Buton, Sulawesi. Both projects look interesting as Indonesia is still facing an electricity supply crisis and imports more than half of its asphalt needs (see page 2 for details).

**Premium valuation, but justified.** WIKA is currently trading at 2011-12f PER of 12.4x-10.5x, or at around 30% premium to the sector average PER. We believe this is warranted given its diversified operations, strong earnings growth, solid balance sheet, and being the most liquid among construction stocks. We initiate coverage on WIKA with a target price of IDR810, based 15.3x its 2011 earnings, or +1 st.dev above its historical average PER. The company's specific risk is that it may lose money outside its construction business, such as a loss from fertilizer trading in FY09 of around IDR147bn.

FYE Dec (IDRbn)	FY08	FY09	FY10f	FY11 f	FY12f
Revenue	6,559	6,591	6,465	7,916	9,821
Net Profit	156	189	226	318	377
% chg y-o-y	20.8	21.3	19.4	41.0	18.2
Consensus			284	330	384
EPS (Rp)	26.0	31.5	37.6	53.1	62.7
DPS (Rp)	6.4	8.3	9.5	11.3	15.9
Dividend yield (%)	1.0	1.3	1.4	1.7	2.4
ROE (%)	11.3	12.3	13.2	16.3	16.8
ROA (%)	2.7	3.3	3.9	3.9	4.5
PER (x)	25.4	20.9	17.5	12.4	10.5
BV/share (IDR)	230.7	255.4	284.4	326.2	373.0
P/BV (x)	2.9	2.6	2.3	2.0	1.8
EV/ EBITDA (x)	10.9	5.5	7.6	5.6	4.8

### Wijaya Karya at a glance

Established in 1960, WIKA started as a sub-contractor for prominent construction companies before it becoming the main contractor for the installation of the country's electricity network. It is now the second largest construction company (after Adhi Karya) in terms of revenue and assets, and is also the most profitable state-owned contractor in Indonesia. WIKA is currently the largest pre-cast concrete manufacturer with an estimated market share of some 60%. The company also produces solar water heaters and automotive spare parts. It is also into trading services, with asphalt trading making up the bulk of trading revenue

### Business Model

WIKA has four business pillars namely construction, manufacturing (WIKA Beton), trading (WIKA Intrade) and realty (WIKA Realty).

1. WIKA Construction (contributed 65% of 9M10 Revenue) carries out four types of construction: General Construction, Building Construction, Mechanical and Electrical (M&E), and Energy.
2. WIKA Beton (contributed 27% of 9M10 revenue) is a Pre-concrete manufacturer with a 60% market share. Demand for pre-concrete is growing as around 60% of nation demand is still imported. Some 80% its pre-concrete is sold to local contractors and the remainder is for internal use.
3. WIKA Realty (contributed 4% of 9M10 revenue) is a property developer with 173ha of land bank focused on the middle-low segment of residential housing.
4. WIKA Intrade (contributed 4% of 9M10 revenue) is the manufacturing and trading division. The unit makes and sells automotive components, construction materials, solar heaters and gas tanks.

**Exhibit 17: WIKA group business structure**



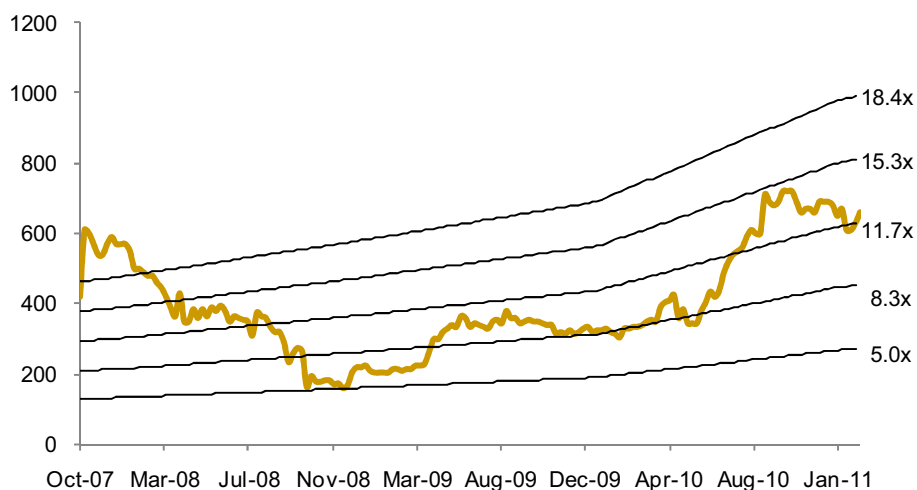
Source : Company

**Exhibit 18: WIKA new expansion (investment projects)**

	WIKA's equity portion	Project value (IDR bn)	Note
Toll road (Surabaya-Mojokerto)	20%	3220	Initial investment IDR44bn in 2010
PLTD Bali	85%	150	IPP of 3x18 MW under BOT scheme
PLTD Ambon	80%	150	IPP of 2x25 MW under BOO scheme
WIKa Jabar (Geothermal Power)	55%		Exploitation will be started in 2011-13
Asphalt maker in Button Island	50%	263	Team up with Timah (TINS)

Source : Company

**Exhibit 19: WIKA historical price and forward PER band**



Source: OSK Research, Bloomberg

**Exhibit 20: WIKA historical price and forward PBV band**



Source: OSK Research, Bloomberg

## FINANCIALS

### Balance Sheet

FYE Dec (IDRbn)	FY08	FY09	FY10f	FY11f	FY12f
<b>Assets</b>					
Cash and equiv	1,051	1,211	982	1,373	1,136
Receivables	2,098	1,921	2,140	2,671	3,252
Inventories	1,350	1,044	1,173	1,763	1,216
Others	730	786	636	962	1,011
Total current assets	5,230	4,963	4,931	6,769	6,614
Net fixed assets	336	332	443	839	1,106
Other assets	193	396	403	474	564
<b>Total assets</b>	<b>5,771</b>	<b>5,701</b>	<b>5,776</b>	<b>8,082</b>	<b>8,284</b>
<b>Liabilities and equities</b>					
Payables	1,307	1,163	796	1,602	1,377
ST. debt and current maturity	627	157	541	546	551
Other current liabilities	1,686	2,116	1,592	2,672	2,602
LT. debt	6	0	400	400	400
Other long term liabilities	756	732	741	904	1,115
<b>Total Liabilities</b>	<b>4,304</b>	<b>4,065</b>	<b>3,946</b>	<b>5,976</b>	<b>5,868</b>
Minority Interest	83	103	123	148	178
<b>Shareholders' equity</b>	<b>1,385</b>	<b>1,533</b>	<b>1,707</b>	<b>1,958</b>	<b>2,239</b>
<b>BVPS (Rp)</b>	<b>230.7</b>	<b>255.4</b>	<b>284.4</b>	<b>326.2</b>	<b>373.0</b>

### Income Statement

FYE Dec (IDRbn)	FY08	FY09	FY10f	FY11f	FY12f
<b>Revenue</b>	<b>6,559</b>	<b>6,591</b>	<b>6,465</b>	<b>7,916</b>	<b>9,821</b>
Gross profit	446	623	587	721	885
Gross margin (%)	6.8	9.5	9.1	9.1	9.0
Income from joint operation	-3	23	38	57	79
Gross profit after J.O.	443	646	625	778	965
<b>EBITDA</b>	<b>326</b>	<b>526</b>	<b>518</b>	<b>634</b>	<b>785</b>
EBITDA margin (%)	5.0	8.0	8.0	8.0	8.0
<b>Operating profit</b>	<b>288</b>	<b>485</b>	<b>478</b>	<b>598</b>	<b>751</b>
Operating margin (%)	4.4	7.4	7.4	7.6	7.7
Net interest inc (exp)	10	-21	-35	-36	-39
Others	-41	-115	-107	-32	-83
Pre-tax profit	256	348	370	530	629
Pre-tax profit margin (%)	3.9	5.3	5.7	6.7	6.4
Income tax - net	-82	-142	-127	-191	-226
Minority interest	-19	-17	-17	-21	-26
<b>Net profit</b>	<b>156</b>	<b>189</b>	<b>226</b>	<b>318</b>	<b>377</b>
Net profit margin (%)	2.4	2.9	3.5	4.0	3.8
<b>EPS (Rp)</b>	<b>26.0</b>	<b>31.5</b>	<b>37.6</b>	<b>53.1</b>	<b>62.7</b>

**Cash flow Analysis**

<b>FYE Dec (IDRbn)</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10f</b>	<b>FY11f</b>	<b>FY12f</b>
<b>CFs from operation</b>					
Net profit	156	189	226	318	377
Depreciation & amortization	38	41	39	36	33
Change in working capitals	-785	713	-1,088	439	-377
Others	-18	-155	-10	-40	-49
<b>CFs from operation</b>	<b>-609</b>	<b>788</b>	<b>-833</b>	<b>754</b>	<b>-17</b>
<b>CFs from investments</b>					
Net capex	-128	-37	-150	-432	-300
Others	12	-46	13	-31	-41
<b>CFs from investments</b>	<b>-116</b>	<b>-83</b>	<b>-137</b>	<b>-463</b>	<b>-341</b>
<b>CFs from financing activities</b>					
Decrease (inc.) in share cap.	-11	14	0	0	0
Decrease (inc.) in debt	324	-477	784	5	5
Dividend payments	-38	-50	-57	-68	-96
Others	137	-33	13	163	212
CFs from financing	412	-546	741	100	121
<b>Net inc/(dec) in cash</b>	<b>-313</b>	<b>159</b>	<b>-229</b>	<b>391</b>	<b>-237</b>
DPS (IDR)	6.4	8.3	9.5	11.3	15.9

**Key Ratios**

<b>FYE Dec (IDRbn)</b>	<b>FY08</b>	<b>FY09</b>	<b>FY10f</b>	<b>FY11f</b>	<b>FY12f</b>
Revenue gr. (%)	53.1	0.5	-1.9	22.4	24.1
EBITDA gr. (%)	34.6	61.4	-1.5	22.5	23.7
Operating Profit gr. (%)	19.7	68.4	-1.4	25.2	25.6
Net profit gr. (%)	20.8	21.3	19.4	41.0	18.2
ROE (%)	11.3	12.3	13.2	16.3	16.8
ROCE (%)	2.7	3.3	3.9	3.9	4.5
Current ratio (x)	1.4	1.4	1.7	1.4	1.5
Quick ratio (x)	1.1	1.1	1.3	1.0	1.2
Acc Rec. turnover (days)	45.6	52.9	52.9	56.2	55.3
Acc Payable turn over (days)	16.3	21.0	24.3	24.3	24.3
Debt to equity (x)	0.5	0.1	0.6	0.5	0.4
Net debt to equity (x)	Net cash	Net cash	Net cash	Net cash	Net cash
EBITDA/Interest coverage (x)	7.4	10.2	5.8	6.7	8.3