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BUY

Target **IDR810**
Previous Price **IDR810**
IDR680

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 J
Share Capital (m)	6,001
Market Cap (Rpbn)	4,141
52 week H L Price (Rp)	770 310
3mth Avg Vol ('000)	6,400
YTD Returns	1.5
Beta (x)	1.0

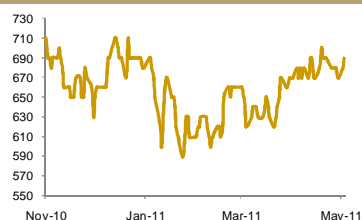
Major Shareholders (%)

Government of Indonesia	66.3
Public	33.7

Share Performance (%)

Month	Absolute	Relative
1m	2.8	-0.2
3m	18.1	7.6
6m	6.7	1.3
12m	45.3	10.7

6-month Share Price Performance



1QFY11 Results Review

Wijaya Karya

1Q11 results meets our expectations

WIKA posted its 1Q11 results, which came in mostly in line with our expectations. Revenue climbed 36% y-o-y to IDR1.54tn and net profit jumped 36% y-o-y to IDR86bn, meeting 25% of our FY11 estimate. We continue to like WIKA for its diversified operations, strong earnings growth, solid balance sheet, and being the most liquid among construction stocks. Buy maintained with TP of IDR810.

1Q11 results mostly in line. Wijaya Karya (WIKA) posted 1Q11 net profit of IDR86bn in 1Q11, up 36% y-o-y and 6% q-o-q, and represented 25% and 27% of our FY11 and consensus' forecast, respectively. The strong net y-o-y net profit growth was on the back of a 36% expansion in the revenue to IDR1.54tn, which further cascaded to a 19% increase in operating profit to IDR106.9bn. 1Q11 revenue and operating profit were 19% each of our FY11 forecast. Last year, 1Q10 revenue and operating profit also made up 19% FY10 figures. One reason for the better bottom-line showing came from a lower effective tax rate to 26% in 1Q11 compare to 30% in 1Q10 as revenue contribution from non-construction segment rose higher than construction segment, which pay final 3% tax from revenue vs. normal tax rate.

Weakening q-o-q on seasonality. The 1Q11 results appear to be weakening on quarterly basis with revenue and operating profit declining 26% and 44%. This largely due to typical seasonality on contractor obtaining the largest portion of contract from government related projects, which is normally tendered during second half of the year. Last year, WIKA booked 34% and 40% its revenue and operating profit in 4Q10. Thus, we should not worry about margin contractions in 1Q11.

Growing order book and expect more to come. By 1Q11, the company has bagged a total contract of IDR2.25tn, grew by 55% y-o-y, and met 18% of our total new contract target for 2011. This should gradually increase over the next quarters on seasonality mentioned above. The contracts mostly are infrastructure related projects such as toll road, power plant, sea port and bridge. Strong economic fundamental and improved sovereign ratings should continue attracting investment, especially in the physical expansion, which in turn increase construction activities.

Maintain our Buy call with TP of IDR810. We continue to like WIKA for its diversified operations, strong earnings growth, solid balance sheet, and being the most liquid among construction stocks. The counter is now trading at 11.8x its 2011 earnings, relative to 22% growth. We maintain our PER-based target price of IDR810 and Buy call on WIKA.

FYE Dec (IDRbn)	FY09	FY10	FY11 f	FY12f	FY13f
Revenue	6,591	6,023	7,916	9,821	11,493
Net Profit	189	285	347	400	482
% chg y-o-y	21.3	50.6	21.8	15.1	20.5
Consensus		284	330	384	385
EPS (Rp)	31.5	47.5	57.8	66.6	80.2
DPS (Rp)	8.3	9.5	14.2	17.4	20.0
Dividend yield (%)	1.2	1.4	2.1	2.6	2.9
ROE (%)	12.3	15.8	16.8	16.9	17.7
ROA (%)	3.3	4.5	4.6	5.1	5.7
PER (x)	21.6	14.3	11.8	10.2	8.5
P/BV (x)	2.7	2.3	2.0	1.7	1.5
EV/ EBITDA (x)	5.8	6.1	5.0	4.4	3.5

Exhibit 1: WIKA 1Q11 results

(IDRbn)	4Q10	1Q11	Chg q-o-q	1Q10	Chg y-o-y	FY11F	Comments
Sales	2,075.6	1,540.7	-26%	1,130.5	36%	7,915.6	relatively in line
COGS	-1,836.8	-1,415.7	-23%	-997.5	42%	-7,194.1	
Gross profit	238.8	125.0	-48%	133.0	-6%	721.5	relatively in line
Profit of joint operation	5.8	25.2	339%	9.4	168%	56.6	
Gross profit after JO	244.5	150.2	-39%	142.4	6%	778.1	
Marketing expenses	-1.7	-0.9	-45%	-0.5	102%	-4.0	
G&A expenses	-52.8	-42.4	-20%	-42.8	-1%	-175.7	
Operating expenses	-54.5	-43.3	-20%	-43.3	0%	-179.7	
Operating profit	190.0	106.9	-44%	89.7	19%	598.4	relatively in line
Forex gain (loss)	-1.9	-1.9	1%	-3.1	NM	2.1	
Interest income	6.2	19.9	221%	9.4	111%	57.1	
Interest expense	2.5	9.2	267%	-5.8	-259%	-43.7	
Other income (expense)	9.9	-0.8	-108%	-8.4	NM	-46.3	
Total other income (expenses)	16.7	17.2	3%	-7.9	-318%	-30.8	
Pre-tax profit	206.8	124.1	-40%	91.2	36%	576.6	
Tax	-75.6	-31.7	-58%	-27.5	15%	-205.3	
Profit before Minority Interest	131.2	92.4	-30%	63.7	45%	166.3	
Minority interest	-16.9	-6.4	-62%	-0.6	NM	-24.2	
Net profit	80.8	85.9	6%	63.1	36%	347.1	in line
Segment Revenue							
Construction	1,366.7	892.4	-35%	654	37%	5,212.2	
Industrial	320.7	359.9	12%	316.6	14%	1,223.0	
Real estate	275.0	223.9	-19%	117.2	91%	1,048.9	
Trading , M&E and others	0.9	64.4	7408%	43.2	49%	3.3	

Source: Company, OSK Research

FINANCIAL FORECAST

FYE Dec (IDR bn)	FY09	FY10	FY11f	FY12f	FY13f
Turnover	6,591	6,023	7,916	9,821	11,493
EBITDA	526	529	639	796	931
PBT	485	478	598	751	882
Net Profit	189	285	347	400	482
EPS (Rp)	31.5	47.5	57.8	66.6	80.2
DPS (Rp)	6.4	8.3	9.5	14.2	17.4
Margin (%)					
EBITDA	8.0	8.8	8.1	8.1	8.1
PBT	7.4	7.9	7.6	7.7	7.7
Net Profit	2.9	4.7	4.4	4.1	4.2
ROE	11.3	12.3	15.8	16.8	16.9
ROA	2.7	3.3	4.5	4.6	5.1
Balance Sheet					
Fixed Assets	332	406	796	1,052	1,302
Current Assets	4,963	5,123	6,005	6,103	6,578
Total Assets	5,701	6,286	7,509	7,824	8,520
Current Liabilities	3,436	3,642	4,310	4,178	4,584
Net Current Assets	1,527	1,481	1,695	1,925	1,994
LT Liabilities	732	843	1,131	1,282	1,211
Shareholders' Funds	1,533	1,802	2,068	2,364	2,726
Net Gearing (%)	Net cash	Net cash	Net cash	Net cash	Net cash
Cash Flow					
Operating cash flow	-609	788	398	296	-110
Financing cash flow	-116	-83	-431	-367	-245
Investing cash flow	-313	159	-3	202	-247
CAPEX	-128	-37	-150	-432	-300
FCF	-481	825	548	728	190

OSK Research Guide to Investment Ratings

Buy: Share price may exceed 10% over the next 12 months

Trading Buy: Share price may exceed 15% over the next 3 months, however longer-term outlook remains uncertain

Neutral: Share price may fall within the range of +/- 10% over the next 12 months

Take Profit: Target price has been attained. Look to accumulate at lower levels

Sell: Share price may fall by more than 10% over the next 12 months

Not Rated: Stock is not within regular research coverage

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