

FLASHNOTE

Wijaya Karya: 2016 net income up by 62%yoy

(WIKA.IJ. IDR2,480. BUY. TP IDR3,900)

- WIKA's 2016 net income grew by 61.9%yoy to IDR1.0tr (FY15: IDR625bn), above our expectation (111.7%) and the consensus (122.4%) of IDR906bn and IDR827bn, respectively. The figure is also higher than the management's guidance of IDR940bn.
- On a qoq basis, the 4Q16 net income of IDR610bn surged 160.2%yoy (4Q15: IDR235bn) and 320.9%qoq (3Q16: IDR145bn). The strong result owes to a higher gross margin.
- Margins improved. The gross margin in 2016 reached 14.2% or higher than 12.1% in the previous year.
- FY16 revenues grew by 15.0%yoy to IDR15.7tr, or slightly higher than our target of IDR14.8tr (106%), but below the consensus of IDR17.4tr (89.8%). However, the result is in-line with the management's new target of IDR15.6tr. Note that the management reduced its target by 20% from the initial target set at the beginning of the year of IDR19.4tr due to delays in the signing of the contract for the Jakarta – Bandung HSR project.
- Total debt as of Dec16 reached around IDR6.7tr, or higher than the previous year's IDR3.5tr. However, WIKA booked net cash in Dec 16 due to the rights issue in 4Q16. WIKA also recorded higher interest coverage in 2016 at 4.78x (FY15: 3.51x).
- WIKA booked new contracts of IDR53.6tr in 2016, higher than the management's target of IDR52.8tr. This is up by 112.5%yoy from Rp25.2tr of new contracts booked in 2015. The strong 2016 new contracts were supported by IDR15.8tr of works from the high speed railway (HSR) project.
- For 2017, WIKA targets new contracts of IDR43.2tr, 18.1% lower than in 2016 due to the HSR project being recorded in 2016. Excluding the HSR project, the target shows 16.9%yoy growth. Revenues in 2017 are targeted to reach IDR25.8tr or up 64.7%yoy with net income reaching IDR1.2tr or up 20.5%yoy.
- We are reviewing our forecast and recommendation on WIKA given the strong 2016 result.

Results Highlights

Rp bn	4Q15	4Q16	YoY Chg %	3Q16	QoQ Chg %	FY16	YoY Chg %	Danareksa FY16F	FY16/ FY16F %
Revenue	5,529	6,330	14.5	3,336	89.8	15,669	15.0	14,786	106.0
Gross profit	676	1,110	64.3	387	187.0	2,227	34.6	1,725	129.1
Operating profit	645	1,116	72.9	347	221.4	2,079	37.3	1,669	124.5
Net profit	235	610	160.2	145	320.9	1,012	61.9	906	111.7
Gross margin (%)	12.2	17.5	5.3	11.6	5.9	14.2	2.1	11.7	
Operating margin (%)	11.7	17.6	6.0	10.4	7.2	13.3	2.2	11.3	
Net margin (%)	4.2	9.6	5.4	4.3	5.3	6.5	1.9	6.1	

Source: Danareksa, Company

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