

FROM EQUITY RESEARCH
Wika Beton: Strong revenues from strong order book
 (WTON IJ. IDR580. BUY. TP IDR800)

WTON booked 2017 earnings growth of IDR23.5%yoy, in-line with our (96.5%) and consensus (95.3%) target. The 2017 earnings growth owed to strong revenues growth of 54.0%yoy in the back of strong order book. Contribution from Wika Group in 2017 is expected to accounted for 20%-25% of the revenues, while as of Sep 17 the contribution reached 26.1%. We have a BUY call on WTON.

To see the full version of this report, please [click here](#)

Indo Tambangraya: Strong coal price boosted net profit
 (ITMG IJ. IDR30,525. HOLD. TP IDR21,100)

Indo Tambangraya Megah (ITMG) reported net profits of USD80mn in 4Q17 (+20.3% qoq, +31.6% yoy). Although the management had indicated 11.7% yoy lower coal production on unfavorable weather, the company still managed to book strong net profits growth of 93.3% yoy to USD253mn in 2017. This was mainly due to strong coal prices and better margins. The net profits were within our expectation. We maintain our HOLD call while reviewing our target price.

To see the full version of this report, please [click here](#)

MARKET NEWS
Macroeconomy

- Electricity tariffs will not be hiked until 2019

Sector

- Property: Developers from South Korea to develop a project in West Jakarta

Corporate

- Intiland earmarks IDR2tn on capex
- Summarecon to launch the third phase of Burgundy Residence

KEY INDEX

	Close	Chg (%)	Ytd (%)	Vol (US\$ m)
Asean - 5				
Indonesia	6,593	(0.8)	3.7	454
Thailand	1,789	(0.7)	2.0	2,668
Philippines	8,516	(1.1)	(0.5)	182
Malaysia	1,855	(0.2)	3.2	648
Singapore	3,488	(0.8)	2.5	1,300
Regional				
China	3,269	2.2	(1.2)	19,297
Hong Kong	30,966	(1.5)	3.5	15,563
Japan	21,736	(1.1)	(4.5)	13,938
Korea	2,429	0.6	(1.6)	5,621
Taiwan	10,662	(0.5)	0.2	4,116
India	33,820	(0.1)	(0.7)	534
NASDAQ	7,210	(0.1)	4.4	101,665
Dow Jones	24,962	0.7	1.0	9,520

CURRENCY AND INTEREST RATE

		Rate	w-w (%)	m-m (%)	ytd (%)
Rupiah	Rp/1US\$	13,685	(0.9)	(2.5)	(1.0)
SBI rate	%	4.25	-	-	-
10y Gov	Indo bond	6.61	0.2	0.4	0.3

HARD COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Coal	US\$/ton	106	0.1	(0.8)	4.8
Gold	US\$/toz	1,330	(0.1)	(0.8)	2.1
Nickel	US\$/mt.ton	13,787	(0.1)	8.4	8.5
Tin	US\$/mt.ton	21,708	(0.3)	4.1	8.0

SOFT COMMODITY

	Unit	Price	d-d (%)	m-m (%)	ytd (%)
Cocoa	US\$/mt.ton	2,188	1.1	12.1	15.2
Corn	US\$/mt.ton	134	0.3	5.3	6.9
Oil (WTI)	US\$/barrel	63	(0.2)	(2.8)	3.7
Oil (Brent)	US\$/barrel	66	1.5	(3.8)	(0.7)
Palm oil	MYR/mt.ton	2,494	(0.2)	2.8	4.4
Rubber	US\$/kg	146	1.3	(3.1)	(0.4)
Pulp	US\$/tonne	1,069	N/A	3.8	6.9
Coffee	US\$/60kgbag	95	(0.8)	(0.2)	(10.6)
Sugar	US\$/MT	363	1.7	2.8	(8.1)
Wheat	US\$/ton	126	1.0	5.9	5.5
Soy Oil	US\$/lb	32	(0.1)	(0.4)	(3.1)
Soy Bean	US\$/by	1,032	(0.2)	4.9	8.4

Friday, 23 February 2018

BUY
Maintain

Last price (IDR)	580
Target Price (IDR)	800
Upside/Downside	+37.9%
Previous Target Price (IDR)	800

Stock Statistics

Sector	Construction
Bloomberg Ticker	WTON IJ
No of Shrs (mn)	8,338
Mkt. Cap (IDRbn/USDmn)	4,836/353
Avg. daily T/O (IDRbn/USDmn)	14.3/1.0

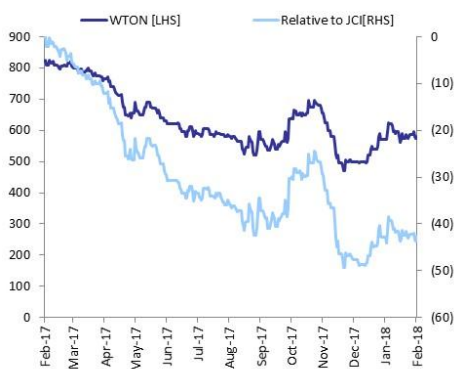
Major shareholders (%)

Wijaya Karya	78.4
Public	21.6
Estimated free float	40.0

EPS Consensus (IDR)

	2017F	2018F	2019F
Danareksa	41.9	50.4	61.9
Consensus	40.9	50.0	60.2
Danareksa/Cons	2.4	0.9	2.8

WTON relative to JCI Index



Source : Bloomberg



Maria Renata
(62-21) 2955 5888 ext.3513
maria.renata@danareksa.com

Wijaya Karya Beton(WTON IJ)

Strong revenues from strong order book

WTON booked 2017 earnings growth of IDR23.5%yoy, in-line with our (96.5%) and consensus (95.3%) target. The 2017 earnings growth owed to strong revenues growth of 54.0%yoy in the back of strong order book. Contribution from Wika Group in 2017 is expected to accounted for 20%-25% of the revenues, while as of Sep 17 the contribution reached 26.1%. We have a BUY call on WTON.

FY17 earnings in-line with our target. The 2017 earnings jumped 23.5%yoy to IDR337bn (FY16: IDR273bn). This is in-line with our expectation (96.5%) and consensus' (95.3%). Our FY17 target was IDR349bn and the consensus was IDR354bn. The strong earnings growth supported by strong revenues growth.

Strong revenues in the back of strong order book. Revenues in 2017 reached IDR5.4tn, jumped 54.0%yoy (FY16A: IDR3.5tn). The result is higher than our target of IDR4.8tn (112.1%) and consensus of IDR4.9tn (108.5%). The revenues growth in 2017 owed to the strong order book. However, the gross profit margin (GPM) of 12.4% in 2017 is lower than 14.5% booked in 2016. The lower GPM partially due to the sales mix.

Order book in 2017 had 48%yoy growth to IDR11.1tn. WTON managed to book FY17 order book of IDR11.1tn, up by 48.1%yoy from IDR7.5tn in 2016. This is including IDR4.0tn of carry over contracts. Furthermore, new contracts booked in 2017 of IDR7.1tn is higher than management's target of IDR6.2tn set at the beginning of the year. However, during the year, the target had been revised up to IDR7.0tn.

Production capacity. The capacity reached IDR3.0mn tons by Dec 17, to have 20%yoy growth from 2.5mn tons in 2016. Currently, the capacity reaches 3.2mn tons in the back of additional 200,000 tons additional in Lampung Selatan. Capex allocates in 2018 reaches IDR680bn. This is similar with capex spent in 2017 of IDR673bn, lower than the budget of IDR820bn.

Maintain BUY. WTON has positive FY17 operating cash flow of IDR556bn compared to negative of IDR79bn in previous year. Hence, we maintain our BUY call on WTON. However, we are waiting for the FY17 audited notes to be released.

Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (IDRbn)	2,653	3,482	4,785	5,766	7,057
EBITDA (IDRbn)	149	271	361	446	562
EBITDA Growth (%)	(54.4)	82.6	33.2	23.3	26.0
Net profit (IDRbn)	170	291	349	420	516
EPS (IDR)	19.5	34.9	41.9	50.4	61.9
EPS growth (%)	(49.9)	79.1	20.2	20.2	22.9
BVPS (IDR)	253.0	290.5	322.6	360.4	407.2
DPS (IDR)	11.8	6.3	9.8	12.6	15.1
PER (x)	30.8	17.2	14.3	11.9	9.7
PBV (x)	2.4	2.1	1.9	1.7	1.5
Dividend yield (%)	2.0	1.0	1.6	2.1	2.5
EV/EBITDA (x)	31.7	19.7	15.1	12.2	9.5

Source : WTON, Danareksa Estimates

Friday, 23 February 2018

HOLD
Maintain

Last price (IDR) 30,525
Target Price (IDR) U/R
Upside/Downside n/a
Previous Target Price (IDR) 17,000

Stock Statistics

Sector Coal Mining
Bloomberg Ticker ITMG IJ
No of Shrs (mn) 1,130
Mkt. Cap (IDRbn/USDmn) 34,491/2,520
Avg. daily T/O (IDRbn/USDmn) 30.0/2.2

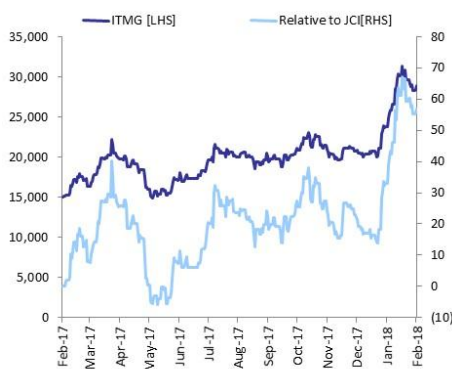
Major shareholders (%)

Banpu Minerals 65.1
Estimated Free Float 31.9
Estimated free float 31.9

EPS Consensus (USDcents)

	2017F	2018F	2019F
Danareksa	21.3	18.5	17.9
Consensus	21.8	24.5	24.2
Danareksa/Cons	(2.1)	(24.5)	(25.9)

ITMG relative to JCI Index



Source : Bloomberg



Stefanus Darmagiri

(62-21) 29 555 831

stefanus.darmagiri@danareksa.com

Indo Tambangraya (ITMG IJ)

Strong coal price boosted net profits

Indo Tambangraya Megah (ITMG) reported net profits of USD80mn in 4Q17 (+20.3% qoq, +31.6% yoy). Although the management had indicated 11.7% yoy lower coal production on unfavorable weather, the company still managed to book strong net profits growth of 93.3% yoy to USD253mn in 2017. This was mainly due to strong coal prices and better margins. The net profits were within our expectation. We maintain our HOLD call while reviewing our target price.

Better quarterly results. Net profits rose 20.3% qoq in 4Q17. This was mainly due to strong coal prices which were reflected in higher revenues in 4Q17 (+26.7% qoq). Based on information from Banpu, the company reported flat quarterly coal sales volume growth. However, higher production costs, which we believe were due to a higher stripping ratio lowered the gross and operating margins to 30.2% and 23.0%, respectively, in 4Q17 from 32.4% and 25.9% in 3Q17.

Higher coal prices boosted the 2017 net profits. Although we believe that the company's production growth was lower on the back of unfavorable weather, the net profits nonetheless jumped by 93.3% yoy to USD253mn in 2017. This increase was mainly driven by higher coal prices and the company's ability to reduce selling expenses (on freight costs and coal handling and loading). The total COGS increased mainly because of a higher stripping ratio and higher diesel prices. Nonetheless, ITMG managed to improve its gross and operating margins in 2017.

Recovery in coal production expected in 2018. With coal prices to remain solid, we expect a recovery in ITMG's coal production to around 24mn tonnes in 2018 from the previous year's indication of 22.6mn tonnes. The main driver is expected to be more favorable weather conditions in 2018.

Maintain HOLD. While the company pays generous dividends, we remain concerned by its reserves with a mining life of only 8 years. We maintain our HOLD recommendation while reviewing our target price.

Key Financials

Year to 31 Dec	2015A	2016A	2017F	2018F	2019F
Revenue (USDmn)	1,589	1,367	1,679	1,719	1,770
EBITDA (USDmn)	258	273	442	385	337
EBITDA Growth (%)	(14.0)	5.9	62.0	(13.0)	(12.5)
Net profit (USDmn)	63	131	241	209	203
EPS (USDcents)	5.6	11.6	21.3	18.5	17.9
EPS growth (%)	(68.6)	107.1	84.5	(13.3)	(3.0)
BVPS (USDcents)	73.9	80.3	88.7	93.6	98.9
DPS (USDcents)	10.1	3.7	13.0	13.5	12.7
PER (x)	37.9	18.3	9.9	11.4	11.8
PBV (x)	2.9	2.6	2.4	2.3	2.1
Dividend yield (%)	4.8	1.7	6.1	6.4	6.0
EV/EBITDA (x)	8.2	7.6	4.5	5.0	5.6

Source : ITMG, Danareksa Estimates

MARKET NEWS

MACROECONOMY

Electricity tariffs will not be hiked until 2019

The government will not increase electricity tariffs until the end of 2019 in a bid to stabilize overall domestic purchasing power. Nonetheless, no details have been provided on which household tariff categories will not be subject to hikes in electricity tariffs. Previously, the government said that both non-subsidized and subsidized electricity tariffs would not be increased before the end of March 2018. In Indonesia, the household tariff categories include 450 VA households (IDR415/kWh), 900 VA subsidized households (IDR586/kWh), 900 VA non-subsidized households (IDR1,352/kWh), >1,300 VA non subsidized households (IDR1,467.28/kWh). (Kontan)

SECTOR

Property: Developers from South Korea to develop a project in West Jakarta

GS Engineering and Construction (GS E&C), a property developer from South Korea in a joint venture with Vasanta Indo Properti (with a 50-50% stake) will develop a mixed-use project in West Jakarta. Located on 2.5ha of land bank in Daan Mogot, this project will consist of 5 apartment towers with 1,474 units available for sale. The project will target the upper class market segment with an investment value of IDR2.5-3tn. The project will be launched in mid-2018. Presently, the JV is finishing the project details. (Investor Daily)

CORPORATE

Intiland earmarks IDR2tn on capex

Intiland Development (DILD) has earmarked IDR2tn on this year's capex to develop existing projects, including Praxis, Spatio, Graha Golf Surabaya, and Fifty-Seven Promenade. The allocated capex is relatively flat compared to the capex earmarked in 2017. The source of financing for the capex will be internal cash and bank loans. In 2018, DILD targets marketing sales of IDR3.3tn, relatively flat compared to the actual marketing sales of IDR3.37tn in 2017. (Kontan)

Summarecon to launch the third phase of Burgundy Residence

Summarecon Agung (SMRA) plans to launch the third phase of Burgundy Residence on 24 March 2018. In the third phase, SMRA will launch a new type of landed residential property called Carmine (5x11) to complement its existing offerings of Scarlet (6x11), Magenta (7x13), and Vermilion (8x13). There are 92 units available for sale in total.

Furthermore, SMRA has just conducted groundbreaking for the Sky Bridge Serpong M-Town that will connect M-Town Signature, M-Town Residence and Summarecon Mall Serpong. (Investor Daily)

COVERAGE PERFORMANCE
LEADERS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		22-Feb-18	21-Feb-18					
Erajaya Swasembada	ERAA	970	920	5.4	5.4	29.3	32.0	BUY
Harum Energy	HRUM	3,350	3,200	4.7	2.8	7.0	63.4	HOLD
Indo Tambangraya Megah	ITMG	30,525	29,600	3.1	4.6	7.1	47.5	HOLD
Japfa Comfeed	JPFA	1,570	1,530	2.6	(0.3)	12.1	20.8	BUY
Semen Indonesia	SMGR	11,750	11,575	1.5	8.3	10.3	18.7	SELL
Puradelta Lestari	DMAS	182	180	1.1	(3.7)	10.3	6.4	BUY
Indofood	INDF	7,700	7,625	1.0	(1.6)	(5.2)	1.0	BUY
Wika Beton	WTON	580	575	0.9	-	1.8	16.0	BUY
Indofood CBP	ICBP	8,900	8,825	0.8	(0.6)	0.6	-	BUY
Wijaya Karya	WIKA	1,940	1,930	0.5	0.8	(1.5)	25.2	BUY

Sources: Bloomberg

LAGGARDS

	Code	Price as on		Chg, %	w-w, %	m-m, %	YTD, %	Rating
		22-Feb-18	21-Feb-18					
Bank Negara Indonesia	BBNI	9,775	10,175	(3.9)	0.8	1.3	(1.3)	HOLD
Matahari Putra Prima	MPPA	442	460	(3.9)	(3.9)	(9.4)	(2.2)	SELL
Matahari Department Store	LPPF	10,225	10,575	(3.3)	(1.4)	(7.7)	2.3	BUY
United Tractors	UNTR	35,875	37,000	(3.0)	(4.9)	(11.3)	1.3	BUY
Summarecon Agung	SMRA	1,090	1,120	(2.7)	(3.1)	5.8	15.3	BUY
Vale Indonesia	INCO	3,430	3,520	(2.6)	(5.5)	2.1	18.7	HOLD
Indocement	INTP	21,300	21,800	(2.3)	1.3	(1.8)	(3.0)	SELL
Timah	TINS	1,075	1,100	(2.3)	0.5	9.1	38.7	BUY
Media Nusantara Citra	MNCN	1,550	1,585	(2.2)	(0.3)	5.8	20.6	BUY
Bank Tabungan Pensiunan Nasional	BTPN	3,610	3,690	(2.2)	12.8	35.2	46.7	BUY

Sources: Bloomberg

PREVIOUS REPORTS

- Automotive: Strong car sales in January 2018, MPPA: Under pressure from stiff competition [SnapShot20180221](#)
- Plantation: Turning from Surplus to Deficit, Timah: Moderating growth [SnapShot20180220](#)
- Cement: Impressive start to the year, Prodia Widyahusada: Testing times, Semen Baturaja: Not much has changed: still too pricey [SnapShot20180219](#)
- Property: Encouraging signs and more launches to come, BTPN: A time of changes, Ramayana: Expecting a better Feb-18 sale [SnapShot20180215](#)
- Bank Tabungan Negara: A bright future ahead, Kalbe Farma: On track to meet expectations, Media Nusantara: Unaudited top and bottom line results: in-line [SnapShot20180214](#)

PT Danareksa Sekuritas

Jl. Medan Merdeka Selatan No. 14
Jakarta 10110
Indonesia
Tel (62 21) 29 555 888
Fax (62 21) 350 1709

Equity Research Team

Helmy Kristanto

helmy.kristanto@danareksa.com
(62-21) 2955 888 ext. 3500
Head of Research, Strategy

Maria Renata

maria.renata@danareksa.com
(62-21) 29555 888 ext.3513
Construction

Adeline Solaiman

adeline.solaiman@danareksa.com
(62-21) 2955 888 ext. 3503
Retail, Poultry

Lucky Bayu Purnomo

lucky.purnomo@danareksa.com
(62-21) 29555 888 ext.3512
Technical Analyst

Sales team

Novrita E. Putrianti

novrita@danareksa.com
(62-21) 29555 888 ext. 3128

Tuty Sutopo

tuty@danareksa.com
(62-21) 29555 888 ext. 3121

Rendy Ben Philips

rendy.philips@danareksa.com
(62-21) 29555 888 ext. 3148

Stefanus Darmagiri

stefanus.darmagiri@danareksa.com
(62-21) 2955 888 ext. 3530
Auto, Coal, Heavy Equip, Metal, Cement

Eka Savitri

Eka.savitri@danareksa.com
(62-21) 29555 888 ext.3506
Banking

Antonia Febe Hartono, CFA

antonia.hartono@danareksa.com
(62-21) 29555 888 ext.3504
Cement, Property, Industrial Estate

Natalia Sutanto

natalia.sutanto@danareksa.com
(62-21) 29555 888 ext.3508
Consumer, Tobacco, Property

Yudha Gautama

Yudha.gautama@danareksa.com
(62-21) 29555 888 ext.3509
Plantation

Ignatius Teguh Prayoga

ignatius.prayoga@danareksa.com
(62-21) 29555 888 ext.3511
Research Associate

Laksmi Armandani

laksmi@danareksa.com
(62-21) 29555 888 ext. 3125

Giovan Sitepu

giovanp@danareksa.com
(62-21) 29555 888 ext. 3130

giovanp@danareksa.com
(62-21) 29555 888 ext. 3130

Disclaimer

The information contained in this report has been taken from sources which we deem reliable. However, none of P.T. Danareksa Sekuritas and/or its affiliated companies and/or their respective employees and/or agents makes any representation or warranty (express or implied) or accepts any responsibility or liability as to, or in relation to, the accuracy or completeness of the information and opinions contained in this report or as to any information contained in this report or any other such information or opinions remaining unchanged after the issue thereof.

We expressly disclaim any responsibility or liability (express or implied) of P.T. Danareksa Sekuritas, its affiliated companies and their respective employees and agents whatsoever and howsoever arising (including, without limitation for any claims, proceedings, action, suits, losses, expenses, damages or costs) which may be brought against or suffered by any person as a result of acting in reliance upon the whole or any part of the contents of this report and neither P.T. Danareksa Sekuritas, its affiliated companies or their respective employees or agents accepts liability for any errors, omissions or misstatements, negligent or otherwise, in the report and any liability in respect of the report or any inaccuracy therein or omission there from which might otherwise arise is hereby expressly disclaimed.

The information contained in this report is not to be taken as any recommendation made by P.T. Danareksa Sekuritas or any other person to enter into any agreement with regard to any investment mentioned in this document. This report is prepared for general circulation. It does not have regard to the specific person who may receive this report. In considering any investments you should make your own independent assessment and seek your own professional financial and legal advice.