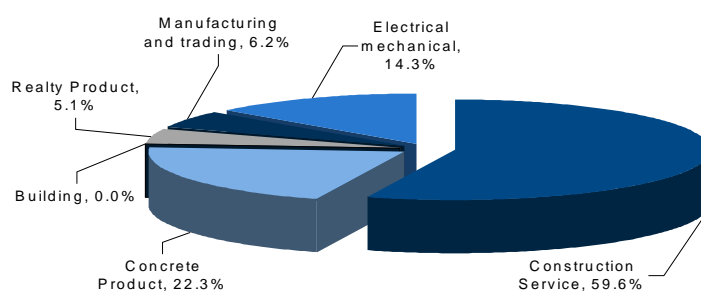


WIKA: Government Defensive Play

A Help from Non-Construction Revenue

As its current well-diversified business model, WIKA will be able to maintain its current NPM to stands at 3.5% in 3Q11 despite the rising raw material cost. The margin contraction for 0.9% YoY seen as low contraction among SOE at 1.7% as the sales from WIKA concrete, WIKA realty, and recurring income from power plant will be an offset to the margin squeeze in construction segment as the rising raw material price, especially steel price. Its non-construction segment contributes 44% to the total revenue.

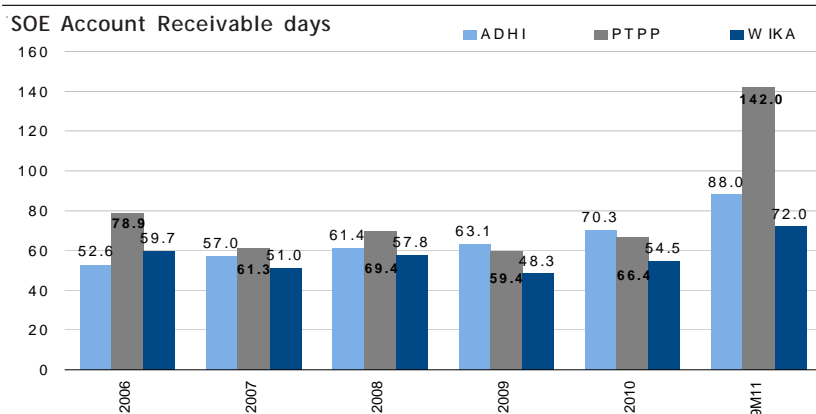
Revenue Driver



Source: Company, TRIM Research

Good Cash Management

AR days in 2011 for all construction companies seen normal as a lot of government projects come around in FY11. High AR days in 2011 for all construction companies seen normal as a lot of government projects come around in FY11. WIKA as SOE will also continue to deliver government infrastructure projects, mostly with big budget. WIKA current management shown their capability for cash management to collect receivable, compared to the other SOE. WIKA AR-days stood at 72 days in 9M11, lowest among SOE.



Source: Company, TRIM Research

Valuation

WIKA currently traded at 8.9 x PE, a premium to its peers at 7.4 x forward PE. We believe the premium is justifiable as WIKA able to manage margin.

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