

PT Wijaya Karya Tbk (WIKA IJ)

Sluggish 1Q20 Performance, Suppressed by Pandemic

WIKA recorded a revenue of IDR4.19 trillion (-35% YoY) due to declines in all revenue segments and pushed 1Q20's net profit to IDR99 billion (-65% YoY). On the occasion of economic re-opening, WIKA will continue to operate the delayed projects and maximizing on going projects to boost cash flow. We recommend a BUY rating with TP of IDR1,840.

Revenue and Margin Drop

WIKA opened 2020 by recording revenue of IDR4.19 trillion or a decline of 35% YoY (vs Rp6.50 trillion 1Q19) due to decrease from all revenue segments. Infrastructure and building which contributed 64% of total revenue declined 40% YoY (IDR2.68 trillion vs IDR4.44 trillion 1Q19), energy and industrial plant, industry, and realty property which contributed 14%, 16% and 4% each declined to 38%, 3% and 47% YoY. G&A expenses increased by 13% to IDR192.35 billion (vs IDR169.72 billion 1Q19) causing EBIT margin to decline from 8% to 7% and significant decrease on EBIT margin to 4% (vs 6% 1Q19). Gross margin recorded an increase from 11% to 12%, but profit margin declined to 2% (vs 4% 1Q19).

New Contract 1Q20 Reached 3.86% of 2020 Target

In 4 consecutive quarters in 2019, WIKA recorded positive net profit growth, but in 1Q20 recorded net profit of IDR99 billion or a 65% decline (vs IDR286 billion 1Q19). On the other hand, WIKA successfully booked new contract of IDR2.51 trillion, however it was still under 1Q20 target of IDR5.7 trillion, and it only reached 3.86% of 2020 contract target of IDR65 trillion. At the beginning of 2020, WIKA had built the Covid-19 emergency hospital in Wisma Athlete North Jakarta and Batam.

Leverage Keep Increasing

Gross gearing ratio rose from 0.78x in FY19 to 1.04x on 1Q20, followed by an increase in net gearing ratio from 0.25x in FY19 to 0.59x in 1Q20 due to additional short term debt of IDR2.47 trillion. On the other hand, every first quarters in 2017, WIKA always recorded negative operational cash flow. In 1Q20, it also booked negative OCF of IDR4.13 trillion or lower than 1Q19 of negative IDR3.92 trillion due to some delayed projects affected by Covid-19.

Rating BUY with TP Rp1,840

Covid-19 pandemic which started at the end of March 2020 significantly affected WIKA's performance, as some projects delayed due to mobilization and restriction on field labor. Welcoming relaxation on large-scale social distancing measures (PSBB), WIKA has already operated some delayed projects on DKI Jakarta, West Java and others. In the future, WIKA will maximize productivity of ongoing projects, substituting imported materials to locally-sourced materials, and implementing business efficiency measures. Besides of that, we believe that WIKA will book a better performance on 2H20. We recommend BUY for WIKA with TP IDR1,840 based on an P/E of 11.5x (1 SD) and a 38.3% yield potential from its current price.

Wijaya Karya Tbk | Summary

	2019A	2020F	2021F	2022F
Revenue	27,213	21,458	24,550	31,357
Growth (%)	-12.7%	-21.1%	14.4%	27.7%
EBITDA	3,186	3,081	3,492	4,355
Net Profit	2,285	1,437	1,700	2,309
EPS (IDR)	255	160	190	257
Growth (%)	32.1%	-37.1%	18.3%	35.8%
P/E	7.8x	11.3x	9.5x	7.0x
P/BV	0.9x	0.9x	0.9x	0.8x
EV/EBITDA	7.9x	8.9x	8.6x	7.5x
ROE (%)	12.5%	7.8%	9.3%	11.6%
DER (%)	78%	110%	110%	119%
Net Debt	4,733	8,605	11,502	14,102

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

Company Update | June 19, 2020

Buy

Dec. 2020 PT (IDR)	1,840
Consensus Price (IDR)	1,522
TP to Consensus Price	+20.9%
vs. Last Price	+38.3%

Shares data

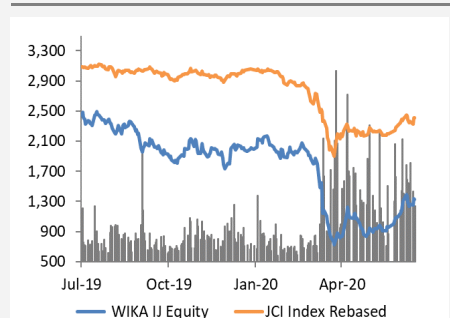
Last Price (IDR)	1,330
Price Date as of	June, 17 2020
52 wk Range (Hi/Low)	2,500/675
Free Float (%)	34.9
Outstanding sh. (mn)	8,970
Market Cap. (IDR bn)	11,930
Market Cap. (USD mn)	840
Avg. Trd Vol - 3M (mn)	50.6
Avg. Trd Val - 3M (bn)	52.0
Foreign Ownership	6.4%

Property

Construction

Bloomberg	WIKA IJ
Reuters	WIKA JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-37.0%	23.7%	39.3%	-44.4%
Rel. Ret.	-16.7%	16.1%	24.1%	-23.0%

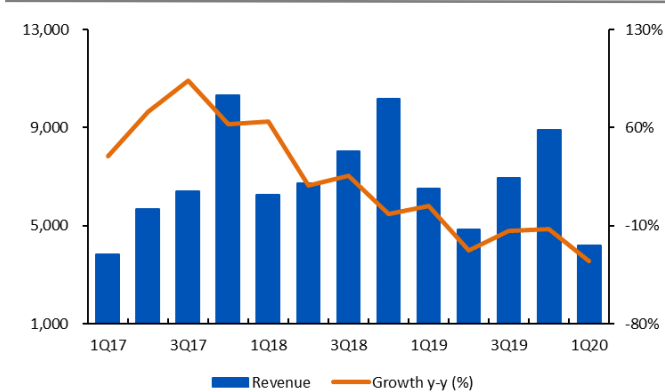
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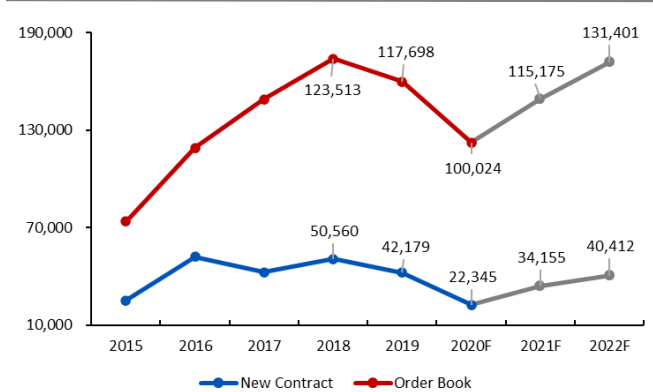
Performance Highlights in Charts

WIKA Quarterly Revenue (IDR bn) | 1Q17 - 1Q20



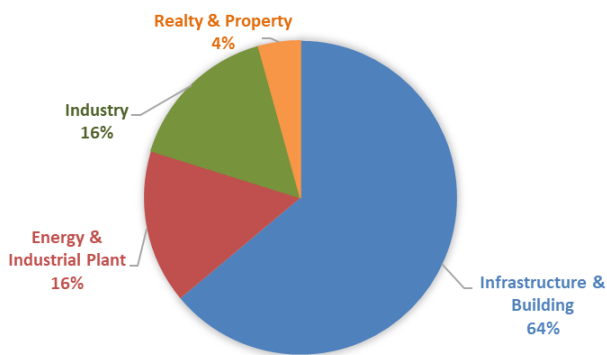
Source: Company Data, NHKSI Research

WIKA Order Book & New Contract



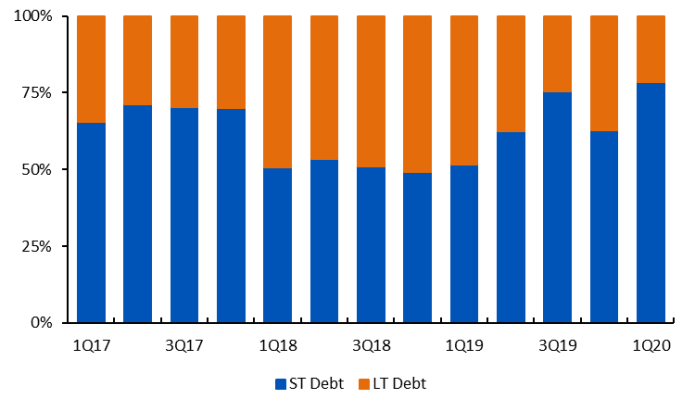
Source: Company Data, NHKSI Research

1Q20's Revenue Breakdown



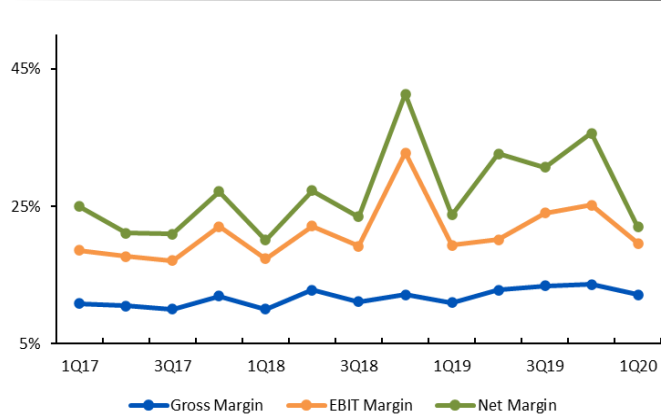
Source: Company Data, NHKSI Research

Debt Portion



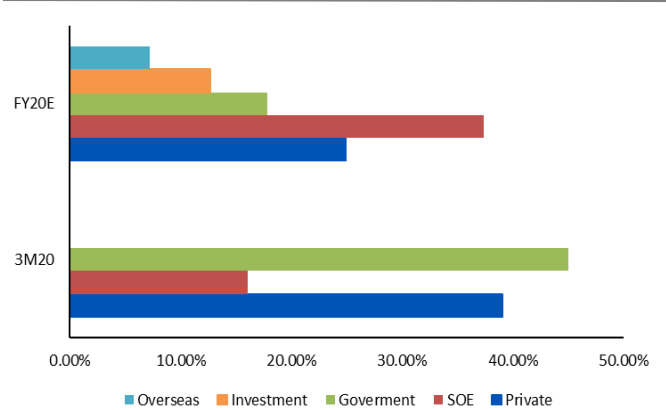
Source: Company Data, NHKSI Research

Margin Ratios



Source: Company Data, NHKSI Research

New Project based on Project Owner | 3M20 & FY20E



Source: Company Data, NHKSI Research

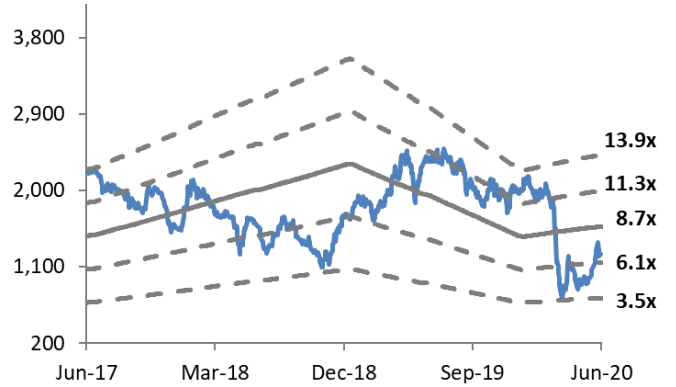
Valuation Highlights in Charts

3-Years Forward P/E Band



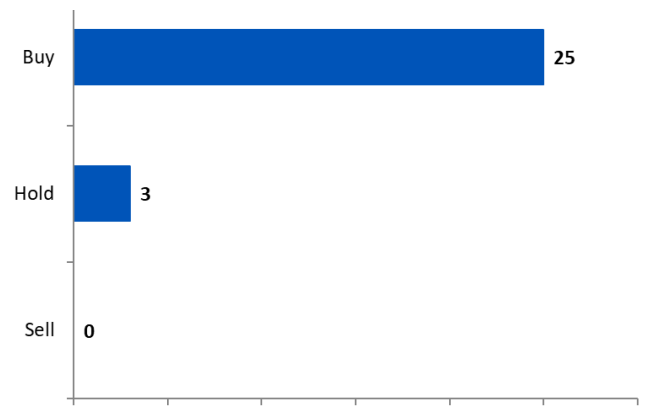
Source: Bloomberg, NHKSI Research

3-Years Dynamic Forward P/E band



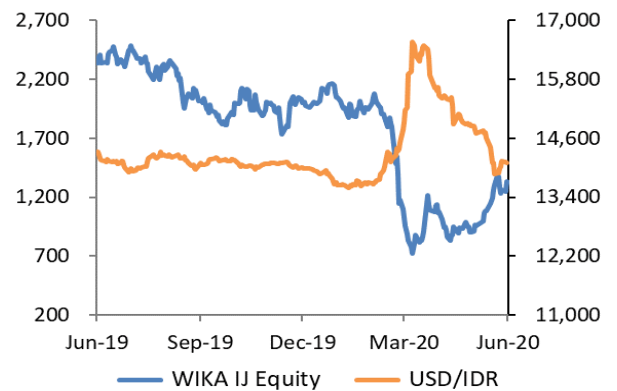
Source: Bloomberg, NHKSI Research

Analysts' Recommendation



Source: Bloomberg, NHKSI Research

Correlation between WIKA and USD/IDR



Source: Bloomberg, NHKSI Research

Quarterly Review

	1Q19	2Q19	3Q19	4Q19	1Q20				2Q20E
					Actual	Estimate	Y-Y	Q-Q	
Income statement									
Revenue	6,504	4,859	6,933	8,916	4,199		-35.4%	-52.9%	4,309
Gross Profit	714	623	932	1,211	509		-28.8%	-58.0%	484
EBIT	542	357	735	1,032	314		-42.0%	-69.6%	307
EBITDA	679	587	879	1,040	437		-35.7%	-58.0%	527
Net Profit	286	605	462	933	99		-65.3%	-89.4%	208
Margin (%)									
Gross Margin	11.0%	12.8%	13.4%	13.6%	12.1%		1.1%	-1.5%	11.2%
EBIT Margin	8.3%	7.4%	10.6%	11.5%	7.5%		-0.8%	-4.1%	7.1%
EBITDA Margin	10.4%	12.1%	12.7%	11.7%	10.4%		0.0%	-1.3%	12.2%
Net Profit Margin	4.4%	12.4%	6.7%	10.5%	2.4%		-2.0%	-8.1%	4.8%

Unit: IDR bn, %

Source: Company Data, NHKSI Research

Revisions to Earnings

		2020F	2021F	2022F
Income Statement				
Revenue	-Revised	21,458	24,550	31,357
	-Previous			
	-Change			
Gross Profit	-Revised	2,735	3,132	3,969
	-Previous			
	-Change			
EBIT	-Revised	2,086	2,390	3,021
	-Previous			
	-Change			
EBITDA	-Revised	3,081	3,492	4,355
	-Previous			
	-Change			
Net Profit	-Revised	1,437	1,700	2,309
	-Previous			
	-Change			
Margin				
Gross Margin	-Revised	12.7%	12.8%	12.7%
	-Previous			
EBIT Margin	-Revised	9.7%	9.7%	9.6%
	-Previous			
EBITDA Margin	-Revised	14.4%	14.2%	13.9%
	-Previous			
Net Profit Margin	-Revised	6.7%	6.9%	7.4%
	-Previous			

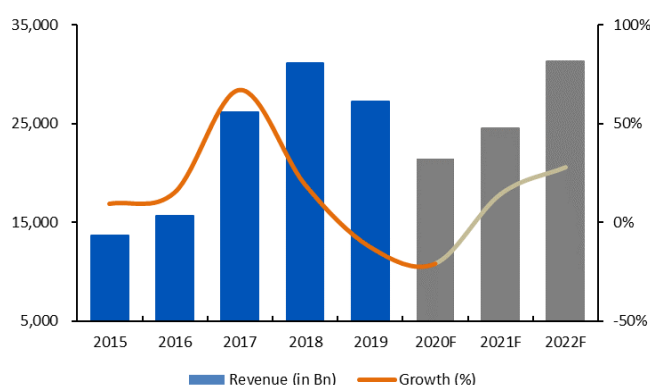
Unit: IDR bn, %

Source: Company Data, NHKSI Research

Company Overview

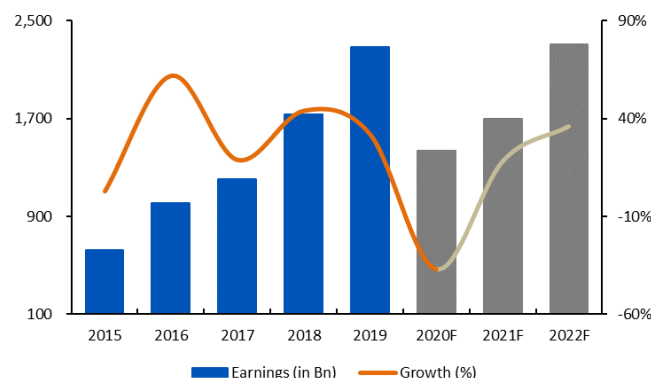
- PT Wijaya Karya Tbk (WIKA) is a construction company established in 1960 named Perusahaan Negara Bangunan Widjaya Karya.
- WIKA was listed on Indonesia Stock Exchange (IDX) in 29 October 2007.
- WIKA has six subsidiaries, namely Wika Beton, Wika Gedung, Wika Industri dan Konstruksi, Wika Rekayasa Konstruksi, Wika Realty, Wika Bitumen, Wika Serang Panimbang.
- WIKA runs four business segments: Industry, Infrastructure and building, Energy and industrial plant, and Realty and Property.
- The Indonesia Government is WIKA's major stockholder with 65.05% stock ownership, while 34.95% of stock ownership is owned by the public.
- WIKA successfully undertaken key national infrastructure projects including the BalikpapanSamarinda Toll Road, the Semanggi Interchange, the Jatigede Dam, Soekarno-Hatta Airport Terminal 3, the Ngurah Rai Airport and the Suramadu Bridge, the Serang-Panimbang Toll Road and the Jakarta-Bandung High Speed Railway.

Revenue and Growth Movement



Source: Company Data, NHKSI Research

Earnings and Growth Movement



Source: Company Data, NHKSI Research

Analysis of Asia-Pacific Peers

	Market Cap (USD mn)	Asset (USD mn)	Sales (LTM) (USD mn)	Net Profit (LTM) (USD mn)	Net Profit Growth (LTM)	Net Profit Margin	ROE (LTM)	EV/EBITDA (LTM)	P/BV
Indonesia									
PT WIJAYA KARYA PERSERO TBK	840	4,486	1,759	148	13.7%	8.4%	14.3%	7.0x	0.8x
PT PP PERSERO TBK	393	4,019	1,631	54	-49.4%	3.3%	6.5%	8.6x	0.5x
PT WASKITA KARYA PERSERO TBK	736	8,853	2,220	66	-76.3%	3.0%	5.2%	19.3x	0.6x
PT ADHI KARYA PERSERO TBK	158	2,637	1,059	43	-6.7%	3.8%	10.1%	9.1x	0.4x
Thailand									
CH. KARNCHANG PUBLIC CO LTD	1,066	2,775	675	42	-48.6%	6.3%	5.1%	152.6x	1.3x
SINO THAI ENGR & CONSTR PCL	772	1,654	1,125	44	-19.1%	3.9%	11.0%	7.1x	1.9x
UNIQUE ENGINEERING & CON PCL	191	1,103	378	23	-12.2%	6.0%	9.1%	6.5x	0.7x
Philippines									
MEGAWIDE CONSTRUCTION CORP	77	1,593	416	17	-29.3%	4.0%	4.1%	20.6x	1.1x
EEL CORPORATION	198	553	454	19	71.1%	4.2%	12.0%	6.6x	0.6x
HOUSE OF INVESTMENTS	117	756	644	14	-29.9%	2.1%	5.3%	8.4x	0.8x
Vietnam									
FLC FAROS CONSTRUCTION JSC	2,154	460	208	7	-28.1%	3.2%	2.6%	16.6x	0.3x
HO CHI MINH CITY INFRASTRUCT	1,636	1,262	74	19	412.6%	26.1%	8.5%	36.0x	0.9x
HOA BINH CONSTRUCTION GROUP	572	722	746	13	-50.7%	1.7%	9.4%	8.3x	0.8x
Malaysia									
GAMUDA BHD	1,832	4,172	1,141	171	58.5%	15.0%	8.8%	17.8x	1.1x
IJM CORP BHD	1,486	5,637	1,437	101	114.4%	7.1%	4.4%	13.1x	0.7x
SUNWAY CONSTRUCTION GROUP BHD	492	466	407	28	-17.9%	6.8%	18.2%	11.9x	3.8x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

Summary of Financials

INCOME STATEMENT

In IDR bn	2019/12A	2020/12E	2021/12E	2022/12E
Revenue	27,213	21,458	24,550	31,357
Growth (% y/y)	-12.7%	-21.1%	14.4%	27.7%
Cost of Revenue	(23,733)	(18,723)	(21,418)	(27,388)
Gross Profit	3,480	2,735	3,132	3,969
Gross Margin	12.8%	12.7%	12.8%	12.7%
Operating Expenses	(814)	(648)	(742)	(948)
EBIT	2,666	2,086	2,390	3,021
EBIT Margin	9.8%	9.7%	9.7%	9.6%
Depreciation	520	994	1,102	1,334
EBITDA	3,186	3,081	3,492	4,355
EBITDA Margin	11.7%	14.4%	14.2%	13.9%
Interest Expenses	(884)	(690)	(973)	(1,056)
EBT	2,789	1,834	2,122	2,906
Income Tax	(168)	(130)	(139)	(191)
Minority Interest	(336)	(267)	(282)	(406)
Net Profit	2,285	1,437	1,700	2,309
Growth (% y/y)	32.1%	-37.1%	18.3%	35.8%
Net Profit Margin	8.4%	6.7%	6.9%	7.4%

BALANCE SHEET

In IDR bn	2019/12A	2020/12E	2021/12E	2022/12E
Cash	10,347	8,956	9,361	10,621
Receivables	4,462	3,769	5,366	6,481
Inventories	6,855	8,407	9,196	11,063
Total Current Assets	42,335	45,484	48,678	54,483
Net Fixed Assets	9,396	12,684	14,901	17,330
Other Non Current Assets	10,379	10,147	10,430	10,398
Total Assets	62,111	68,315	74,009	82,210
Payables	12,762	13,369	13,623	14,891
ST Debt	6,188	8,174	9,135	11,167
LT Debt	8,892	9,387	11,727	13,556
Total Liabilities	42,895	50,578	55,044	61,435
Capital Stock + APIC	7,453	7,453	7,453	7,453
Retained Earnings	7,261	5,943	7,330	9,299
Shareholders' Equity	19,216	17,738	18,966	20,776

CASH FLOW STATEMENT

In IDR bn	2019/12A	2020/12E	2021/12E	2022/12E
Operating Cash Flow	770	1,081	1,463	1,661
Investing Cash Flow	(5,483)	(3,869)	(3,887)	(3,763)
Financing Cash Flow	1,102	1,334	2,829	3,361
Net Changes in Cash	(3,610)	(1,454)	405	1,260

PROFITABILITY & STABILITY

	2019/12A	2020/12E	2021/12E	2022/12E
ROE	12.5%	7.8%	9.3%	11.6%
ROA	3.8%	2.2%	2.4%	3.0%
ROIC	7.3%	5.5%	5.6%	6.2%
Cash Dividend (IDR bn)	409	457	314	340
Dividend Yield (%)	2.3%	2.8%	1.9%	2.1%
Payout Ratio (%)	18%	32%	18%	15%
DER	78%	99%	110%	119%
Net Gearing	25%	49%	61%	68%
LT Debt to Equity	46%	53%	62%	65%
Capitalization Ratio	44%	50%	52%	54%
Equity Ratio	31%	26%	26%	25%
Debt Ratio	24%	26%	28%	30%
Financial Leverage	333%	353%	388%	393%
Current Ratio	150%	150%	127%	133%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	8,970	8,970	8,970	8,970
Share Price (IDR)	1,990	1,840	1,840	1,840
Market Cap (IDR tn)	17.9	16.5	16.5	16.5

VALUATION INDEX

	2019/12A	2020/12E	2021/12E	2022/12E
Price /Earnings	7.8x	11.5x	9.7x	7.1x
Price /Book Value	0.9x	0.9x	0.9x	0.8x
Price/Revenue PS	0.7x	0.8x	0.7x	0.5x
PE/EPS Growth	0.2x	-0.3x	0.5x	0.2x
EV/EBITDA	7.9x	9.0x	8.7x	7.5x
EV/EBIT	9.5x	13.3x	12.7x	10.9x
EV (IDR bn)	25,296	27,663	30,401	32,842
Revenue CAGR (3-Yr)	20.2%	-6.4%	-7.6%	4.8%
EPS CAGR (3-Yr)	31.2%	6.1%	-0.6%	0.4%
Basic EPS (IDR)	255	160	190	257
Diluted EPS (IDR)	255	160	190	257
BVPS (IDR)	2,142	1,978	2,114	2,316
Revenue PS (IDR)	3,034	2,392	2,737	3,496
DPS (IDR)	46	51	35	38

OWNERSHIP

By Geography	% Shareholders	%	
Indonesia	93.6	Republic of Indonesia	65.1
United States	4.8	Vanguard Group	1.2
Luxembourg	0.8	Dimensional Fund Adv.	1.2
Others	0.8	Blackrock Fund Advisor	0.5

Source: Company Data, NHKSI Research

Closing and Target Price Update



Source: Bloomberg, NHKSI Research

Rating and Target Price Update

Date	Rating	Target Price	Consensus
26-04-2017	Buy	IDR3,670	IDR3,308
05-05-2017	Buy	IDR2,820	IDR3,310
15-06-2020	Buy	IDR1,840	IDR1,522

Source: NHKSI Research

NHKS stock ratings

- Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
- Buy: greater than +15%, Hold: -15% to +15%, Sell: less than -15%.
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