

# PT Wijaya Karya Tbk (WIKA IJ)

## Pursuing New Contract Growth

Company Update | April 15, 2021

### BUY

<b>Target Price (IDR)</b>	<b>1,860</b>
Consensus Price (IDR)	2,102
TP to Consensus Price	-11.5%
vs. Last Price	+30.1%

#### Shares data

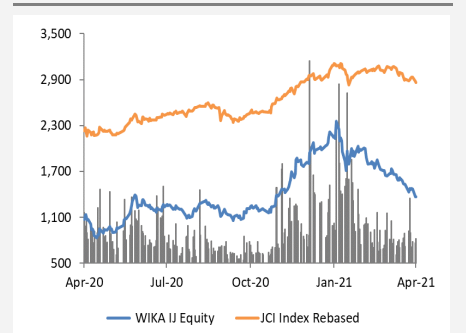
Last Price (IDR)	1,430
Price Date as of	Apr, 14 2021
52 wk Range (Hi/Lo)	2,450/820
Free Float (%)	34.9
Outstanding sh. (mn)	8,970
Market Cap. (IDR bn)	12,558
Market Cap. (USD mn)	857
Avg. Trd Vol - 3M (mn)	57.59
Avg. Trd Val - 3M (bn)	109.19
Foreign Ownership	6.0%

#### Property

#### Construction

Bloomberg	WIKA IJ
Reuters	WIKA.JK

#### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-30.2%	-14.6%	-32.9%	26.5%
Rel. Ret.	-28.8%	-10.3%	-27.0%	-2.0%

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WIKA booked an income of IDR16.53 trillion (-39% YoY) in FY20. Margins were recorded lower than FY19, with additional financial costs that increased by 38%, suppressing FY20 profit down by 92% to IDR186 billion. New contract acquisition in FY20 reached 109% from target. New contracts from the infrastructure and construction fell 67% YoY. Meanwhile, to fund signed projects, WIKA needs to pay close attention to the leverage capacity that increased in FY20.

#### Difficult Year for WIKA

- WIKA booked FY20 income of IDR16.53 trillion (-39% YoY vs IDR27.21 trillion FY19).
- Income from the infrastructure and building segment fell significantly by 52% YoY, followed by the energy and industrial plant segment that declined by 37%, and property & realty segment that plummeted by 63%. Meanwhile, income from the industrial segment increased by 18%.
- GPM, OPM and NPM declined to 9.2%, 3%, dan 1.1% respectively (vs 12.8%, 10%, and 8.4% FY19).
- Other than declining margin, increasing financial burden by 38% YoY to IDR1.22 trillion also caused the slump in FY20 profit which was recorded at IDR186 billion or fell by 92% YoY (vs IDR2.28 trillion in FY19).

#### Acquisition of New Contracts Above Target

- WIKA managed to acquire new contracts worth IDR23.37 trillion in FY20, higher than a target of IDR21.37 trillion.
- In 2021, we estimate that WIKA will be able to increase the number of new contracts up to 60% YoY which will be supported by the abundance of contracts from infrastructure and building projects due to delayed tenders in 2020. Meanwhile, WIKA has set new contracts target at IDR40.12 trillion (+72% YoY) in 2021.

#### Should be Cautious with Financial Leverage

- Net and Gross Gearing Ratio of WIKA in FY20 were recorded at 0.68x and 1.58x (vs 0.24x and 0.78x FY19) due to an increase in short term loans.
- WIKA targets gross gearing ratio of 0.8x. This would be possible if its subsidiary, Wika Realty, officially becomes the holding company for state-owned hotels, which will have an impact on WIKA's equity increase.
- However, WIKA still needs to pay close attention to the source of funding for the projects so it will not weigh on the company's leverage capacity.

#### Intensively Targeting Foreign and Domestic Revenues

- There are more than 45 projects that are planned to be finished this year. Some of them are: Balikpapan-Samarinda toll road construction, Kijing Mempawah Port, Nigerian Presidential Palace, Taiwan Sanying Line MRT Station, and Construction & Commissioning (EPCC) TSL Furnace Ausmelt.
- We project WIKA's income in FY21 to reach IDR22.80 trillion or up by 38% YoY.
- WIKA will also be more aggressive in targeting foreign projects with a target of 6.92% of the 2021 new contracts target.

#### Recommends BUY with TP at IDR1,860

- We recommend BUY with a revised target price at IDR1,860 which implies a forward P/E target of 19.9x. Our TP reflects a potential return of 30.1% from last price.
- Risks to our TP are: 1) New Covid-19 virus variant and the delay of vaccinations 2) Infrastructure budget diverted for handling the pandemic 3) Realization of asset divestment to SWF.

#### Wijaya Karya Tbk | Summary

	2019A	2020A	2021F	2022F
Revenue	27,213	16,536	22,807	26,227
Growth	-12.7%	-39.2%	37.9%	15.0%
Net Profit	2,285	186	840	972
Growth	32.1%	-91.9%	352.2%	15.7%
EPS (IDR)	255	21	94	108
P/E	7.8x	95.8x	19.9x	17.2x
P/BV	0.9x	1.1x	0.9x	0.9x
EV/EBITDA	7.9x	29.2x	17.2x	12.9x
ROE	12.5%	1.0%	4.9%	5.3%
DER	78%	158%	169%	180%
Net Debt	4,733	11,326	13,935	16,102

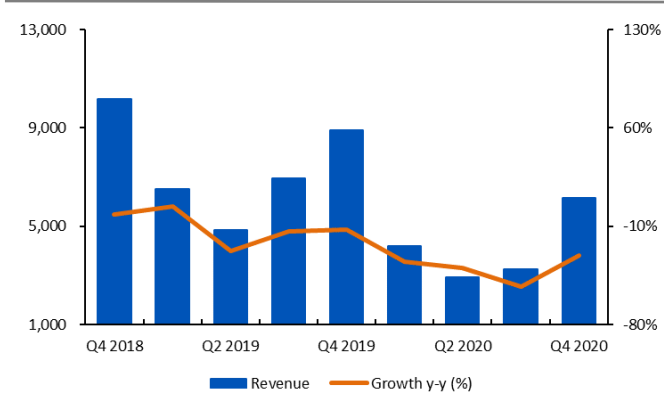
Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

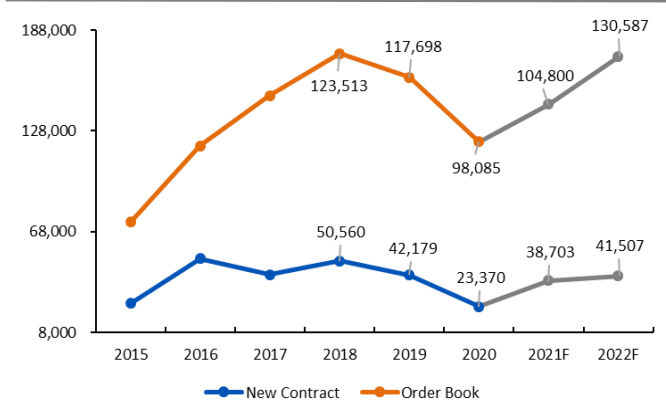
## Performance Highlights in Charts

WIKA Quarterly Revenue (IDR bn) | 4Q18 - 4Q20



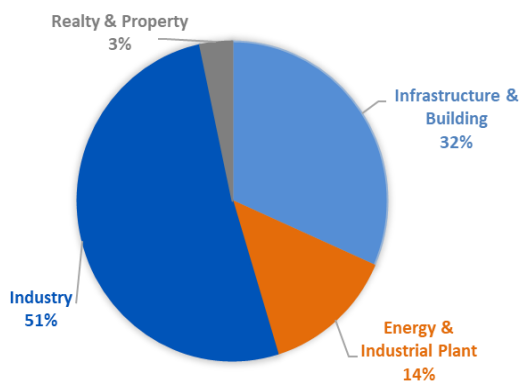
Source: Company Data, NHKSI Research

WIKA Order Book & New Contract



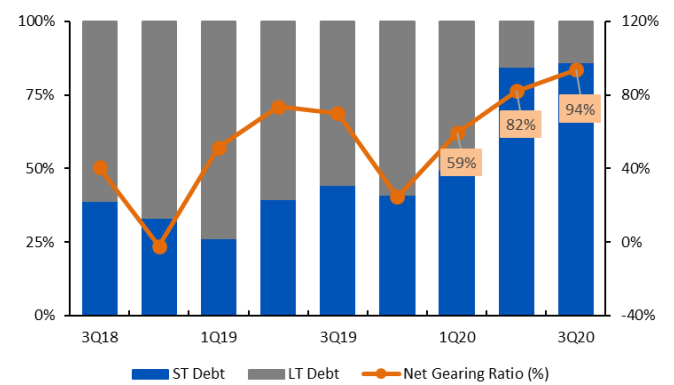
Source: Company Data, NHKSI Research

4Q20's Revenue Breakdown



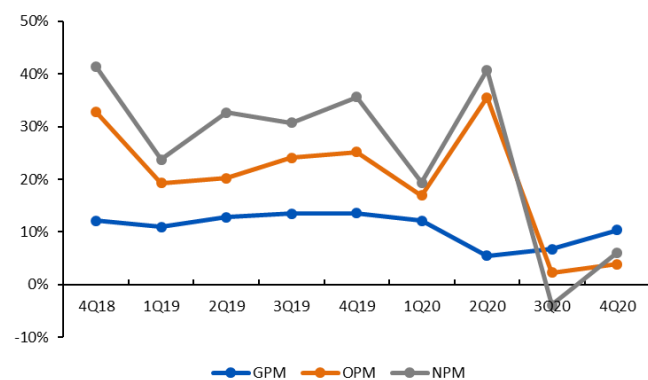
Source: Company Data, NHKSI Research

Debt Portion



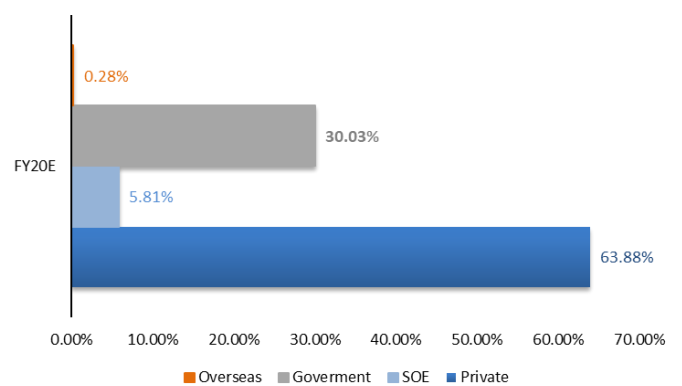
Source: Company Data, NHKSI Research

Margin Ratios



Source: Company Data, NHKSI Research

New Project based on Project Owner | FY20



Source: Company Data, NHKSI Research

## Company Overview



PT Wijaya Karya Tbk (WIKA) is a construction company established in 1960 named Perusahaan Negara Bangunan Widjaja 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 Balikpapan-Samarinda 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.

### Asia Pacific Companies Peers Analysis

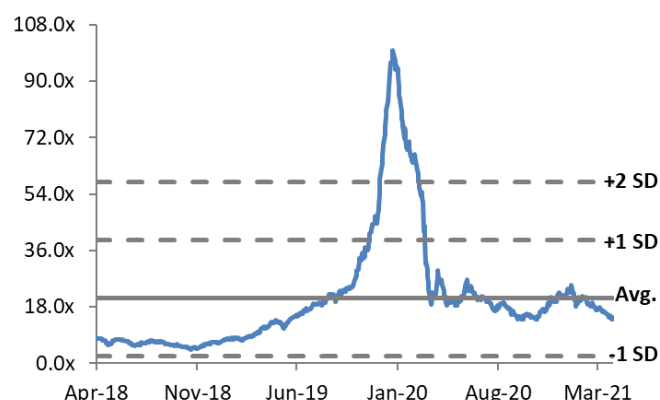
	Market Cap (USD mn)	Asset (USD mn)	Sales (LTM) (USD mn)	Net Profit (LTM) (USD mn)	Net Profit Growth (LTM)	Net Profit Margin	ROE (LTM)	EV/EBITDA (LTM)	P/BV
<b>Indonesia</b>									
PT WIJAYA KARYA PERSERO TBK	857	4,891	1,136	13	-91.9%	1.1%	1.2%	29.2x	0.9x
PT PP PERSERO TBK	518	3,840	1,088	9	-84.3%	0.8%	1.2%	14.9x	0.7x
PT WASKITA KARYA PERSERO TBK	913	8,853	1,459	(197)	N/A	-13.5%	-18.1%	61.8x	1.0x
PT ADHI KARYA PERSERO TBK	267	2,637	744	2	-96.4%	0.2%	0.4%	15.0x	0.7x
<b>Thailand</b>									
CH. KARNCHANG PUBLIC CO LTD	877	2,760	536	20	-65.6%	3.7%	2.3%	87.2x	1.0x
SINO THAI ENGR & CONSTR PCL	715	1,468	1,146	35	-26.3%	3.0%	7.6%	8.4x	1.6x
UNIQUE ENGINEERING & CON PCL	197	1,119	345	7	-69.8%	2.0%	2.7%	8.7x	0.8x
<b>Philippines</b>									
MEGAWIDE CONSTRUCTION CORP	275	1,593	305	(9)	N/A	-3.1%	-6.5%	N/A	1.1x
EEI CORPORATION	157	553	360	(11)	N/A	-3.0%	-6.7%	55.8x	1.0x
HOUSE OF INVESTMENTS	60	1,026	520	(3)	N/A	-0.6%	-1.1%	35.1x	0.2x
<b>Vietnam</b>									
FLC FAROS CONSTRUCTION JSC	157	454	77	0	-99.4%	-0.0%	0.0%	53.9x	0.6x
HO CHI MINH CITY INFRASTRUCT	255	1,279	231	11	97.5%	4.7%	5.1%	22.1x	1.2x
HOA BINH CONSTRUCTION GROUP	185	670	483	3	-82.1%	0.7%	2.1%	18.4x	1.2x
<b>Malaysia</b>									
GAMUDA BHD	2,163	4,370	747	61	-64.0%	8.1%	3.0%	21.9x	1.0x
IJM CORP BHD	1,617	5,435	1,445	75	-24.6%	5.2%	3.3%	10.4x	0.7x
SUNWAY CONSTRUCTION GROUP BHD	580	474	370	17	-43.7%	4.7%	11.6%	N/A	3.8x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

## Valuation Highlights in Charts

### 3-Years Forward P/E Band



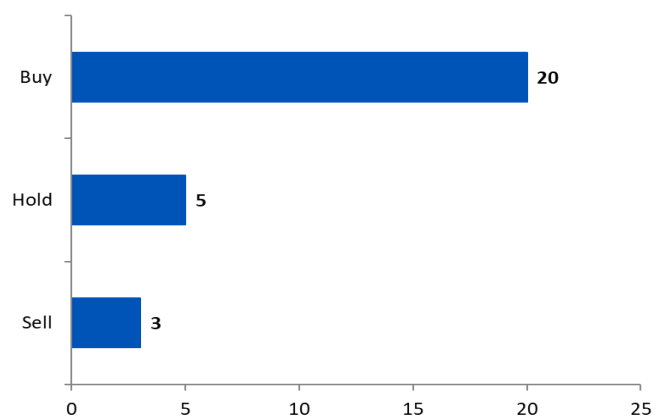
Source: Bloomberg, NHKSI Research

### Stock and USD/IDR Correlated



Source: Bloomberg, NHKSI Research

### Analysts' Recommendation



Source: Bloomberg, NHKSI Research

### Closing and Target Price Update



Source: Bloomberg, NHKSI Research

## Rating and Target Price Update

### Target Price

Date	Rating	Target Price	Last Price	Consensus	vs Last Price	vs Consensus
15/06/2020	Buy	1,840 (12 Month)	1,330	1,522	+38.3%	+20.9%
08/09/2020	Buy	1,410 (12 Month)	1,250	1,524	+12.8%	-7.5%
06/11/2020	Buy	1,310 (12 Month)	1,165	2,102	+12.4%	-37.7%
18/01/2021	Overweight	2,590 (12 Month)	2,360	2,081	+9.7%	24.5%
15/04/2021	Buy	1,860 (12 Month)	1,430	2,102	+30.1%	-11.5%

Source: NHKSI Research, Bloomberg

## Summary of Financials

## INCOME STATEMENT

In IDR bn	2019/12A	2020/12A	2021/12E	2022/12E
<b>Revenue</b>	<b>27,213</b>	<b>16,536</b>	<b>22,807</b>	<b>26,227</b>
Growth (% y/y)	-12.7%	-39.2%	37.9%	15.0%
Cost of Revenue	(23,733)	(15,012)	(20,370)	(23,217)
<b>Gross Profit</b>	<b>3,480</b>	<b>1,525</b>	<b>2,437</b>	<b>3,010</b>
Gross Margin	12.8%	9.2%	10.7%	11.5%
Operating Expenses	(814)	(982)	(1,057)	(883)
<b>EBIT</b>	<b>2,666</b>	<b>543</b>	<b>1,380</b>	<b>2,128</b>
EBIT Margin	9.8%	3.3%	6.1%	8.1%
Depreciation	520	556	594	696
<b>EBITDA</b>	<b>3,186</b>	<b>1,099</b>	<b>1,975</b>	<b>2,824</b>
EBITDA Margin	11.7%	6.6%	8.7%	10.8%
Interest Expenses	(884)	(1,222)	(1,022)	(1,076)
<b>EBT</b>	<b>2,789</b>	<b>310</b>	<b>1,057</b>	<b>1,325</b>
Income Tax	(168)	12	(51)	(160)
Minority Interest	(336)	(137)	(166)	(193)
<b>Net Profit</b>	<b>2,285</b>	<b>186</b>	<b>840</b>	<b>972</b>
Growth (% y/y)	32.1%	-91.9%	352.2%	15.7%
Net Profit Margin	8.4%	1.1%	3.7%	3.7%

## PROFITABILITY &amp; STABILITY

	2019/12A	2020/12A	2021/12E	2022/12E
ROE	12.5%	1.0%	4.9%	5.3%
ROA	3.8%	0.3%	1.2%	1.3%
Inventory Turnover	3.7x	1.8x	2.4x	2.9x
Receivables Turnover	5.5x	5.0x	7.2x	5.9x
Payables Turnover	1.8x	1.1x	1.4x	1.5x
Dividend Yield (%)	2.3%	2.6%	0.2%	1.2%
Payout Ratio (%)	22%	20%	22%	24%
DER	78%	158%	169%	180%
Net Gearing	25%	68%	79%	86%
Equity Ratio	31%	24%	25%	23%
Debt Ratio	24%	39%	42%	41%
Financial Leverage	333%	363%	408%	421%
Current Ratio	139%	109%	122%	119%
Quick Ratio	117%	86%	105%	100%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	8,970	8,970	8,970	8,970
Share Price (IDR)	1,990	1,985	1,860	1,860
Market Cap (IDR tn)	17.9	17.8	16.7	16.7

## BALANCE SHEET

In IDR bn	2019/12A	2020/12A	2021/12E	2022/12E
Cash	10,347	14,952	16,017	17,666
Receivables	4,462	2,176	4,123	4,762
Inventories	6,855	9,813	7,003	8,857
<b>Total Current Assets</b>	<b>42,335</b>	<b>47,981</b>	<b>49,395</b>	<b>54,439</b>
Net Fixed Assets	9,396	11,122	12,505	14,956
Other Non Current Assets	10,379	9,006	10,126	12,110
<b>Total Non Current Assets</b>	<b>19,775</b>	<b>20,128</b>	<b>22,631</b>	<b>27,067</b>
<b>Total Assets</b>	<b>62,111</b>	<b>68,109</b>	<b>72,026</b>	<b>81,505</b>
Payables	12,762	14,241	15,560	15,863
ST Debt	6,188	21,013	17,971	20,261
<b>Total Current Liabilities</b>	<b>30,349</b>	<b>44,168</b>	<b>40,553</b>	<b>45,800</b>
LT Debt	8,892	5,265	11,981	13,507
<b>Total Liabilities</b>	<b>42,895</b>	<b>51,452</b>	<b>54,303</b>	<b>62,745</b>
Capital Stock + APIC	7,453	7,452	7,452	7,452
Retained Earnings	7,261	4,390	5,189	5,960
<b>Shareholders' Equity</b>	<b>19,216</b>	<b>16,657</b>	<b>17,723</b>	<b>18,760</b>

## CASH FLOW STATEMENT

In IDR bn	2019/12A	2020/12A	2021/12E	2022/12E
Operating Cash Flow	770	(969)	874	1,231
Investing Cash Flow	(5,483)	(5,233)	(3,709)	(3,463)
Financing Cash Flow	1,102	10,762	3,900	3,881
<b>Net Changes in Cash</b>	<b>(3,610)</b>	<b>4,560</b>	<b>1,065</b>	<b>1,649</b>

## VALUATION INDEX

	2019/12A	2020/12A	2021/12E	2022/12E
Price /Earnings	7.8x	95.8x	19.9x	17.2x
PE/EPS Growth	0.2x	-1.0x	0.1x	1.1x
Price /Book Value	0.9x	1.1x	0.9x	0.9x
EV/EBITDA	7.9x	29.2x	17.2x	12.9x
EV (IDR bn)	25,296	32,110	33,865	36,298
Revenue CAGR (3-Yr)	20.2%	-14.2%	-9.9%	-1.2%
Net Profit CAGR (3-Yr)	31.2%	-46.3%	-21.4%	-24.8%
Basic EPS (IDR)	255	21	94	108
BVPS (IDR)	2,142	1,857	1,976	2,091
DPS (IDR)	45.60	50.95	4.52	22.47

## OWNERSHIP

Shareholders	%
Republic of Indonesia	65.1
Vanguard Group	1.2
Norges Bank	1.0
Dimensional Fund Advisors	0.7
Others	32.1
<b>By Geography</b>	<b>%</b>
Indonesia	94.0
United States	3.9
Norway	1.4
Others	6.0

Source: Company Data, NHKSI Research

### NH Korindo Sekuritas Indonesia (NHKSI) Stock Ratings

1. Based on a stock's forecasted absolute return over a period of 12 months from the date of publication.
2. Rating system based on a stock's potential upside from the date of publication
  - Buy : Greater than +15%
  - Overweight : +5% to +15%
  - Hold : -5% to +5%
  - Underweight : -5% to -15%
  - Sell : Less than -15%

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