

# PT Wijaya Karya Tbk (WIKA IJ)

## New Contracts from Infrastructure Segment Grows

WIKA recorded revenue and net profit decline in 1Q21 at 7% YoY and 21% YoY. Meanwhile, new contracts jumped by 85% YoY to IDR4.65 trillion, with new contracts in the infrastructure segment soaring by 292% YoY.

Company Update | July 27, 2021

## BUY

Target Price (IDR)	1,390
Consensus Price (IDR)	1,533
TP to Consensus Price	-9.3%
Potential Upside	+34.3%

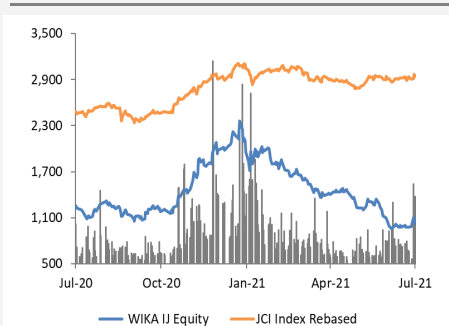
### Shares data

Last Price (IDR)	1,035
Price Date as of	July, 23 2021
52 wk Range (Hi/Lo)	2,450/955
Free Float (%)	34.9
Outstanding sh. (mn)	8,970
Market Cap. (IDR bn)	9,284
Market Cap. (USD mn)	641
Avg. Trd Vol - 3M (mn)	22.96
Avg. Trd Val - 3M (bn)	26.50
Foreign Ownership	6.2%

### Infrastructure Construction

Bloomberg	WIKA IJ
Reuters	WIKAJK

### Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-49.3%	-1.9%	-26.6%	-17.5%
Rel. Ret.	-49.2%	-3.0%	-28.0%	-36.1%

### Ajeng Kartika Hapsari

(021) 5088 9130  
ajeng@nhsec.co.id

### Performance Has Not Fully Recovered

- WIKA recorded a revenue of IDR3.92 trillion (-7% YoY vs IDR4.19 trillion in 1Q20)
- Revenue from infrastructure and construction, followed by energy and industrial plants respectively declined at -5% YoY to IDR2.56 trillion, and -12% YoY to IDR58 billion.
- We see that WIKA has not been able to minimize cost of revenue, resulting in GPM declining to 7% (vs 12% 1Q20).
- WIKA's net profit was posted at IDR78 billion or down 21% YoY (vs IDR9 billion 1Q20).

### Optimistic for Significant Increase in New Contracts

- WIKA's achievement for new contracts during 1Q21 was at IDR4.65 trillion, a significant increase of 85% YoY or 11% of the 2021 target at IDR40.12 trillion.
- New contracts from the infrastructure and construction segment rose 292% YoY, at 59.61% of the total new contracts.
- By the end of the year, we estimate that WIKA can record a 50%-60% YoY increase in new contracts. Considering many project tenders have been delayed due to the pandemic in 2020.

### WIKA's ownership of PT PSBI will be Reduced

- Currently, WIKA owns 38% shares in PT Pilar Sinergi BUMN Indonesia (PSBI). PSBI is a consortium working on the Jakarta Bandung High Speed Train (KCJB) project.
- The Ministry of SOEs is currently drafting a regulation to change the majority shareholder of PSBI from WIKA to PT KAI (current ownership is 25%).
- We see this can reduce WIKA's current financial burden, where WIKA's obligation to deposit capital into the KCJB project will be more relaxed.
- Even so, the current gross position and net gearing ratio of WIKA are at the level of 1.37x and 0.99x and still relatively low.

### Maintain BUY Recommendation with TP at IDR1,390

- We maintain BUY recommendation with a TP of IDR1,390 based on the 11.1x forward P/E method. Our TP has a potential return of 34.3% from the last price.
- The risks to our TP are: 1) Increase in daily Covid-19 cases, 2) Continuation of Emergency PPKM which causes slow economic recovery.

### Wijaya Karya Tbk | Summary

	2020A	2021F	2022F	2023F
Revenue	16,536	20,058	22,725	26,302
Growth	-39.2%	21.3%	13.3%	15.7%
Net Profit	186	671	1,119	1,281
Growth	-91.9%	261.3%	66.79%	14.5%
EPS (IDR)	21	75	125	143
P/E	95.8x	18.6x	11.1x	9.7x
P/BV	1.1x	0.7x	0.7x	0.6x
EV/EBITDA	29.2x	14.2x	12.5x	10.5x
ROE	1.0%	4.0%	6.3%	6.8%
DER	158%	163%	170%	182%
Dividen Yield	2.6%	0.0%	1.3%	2.2%

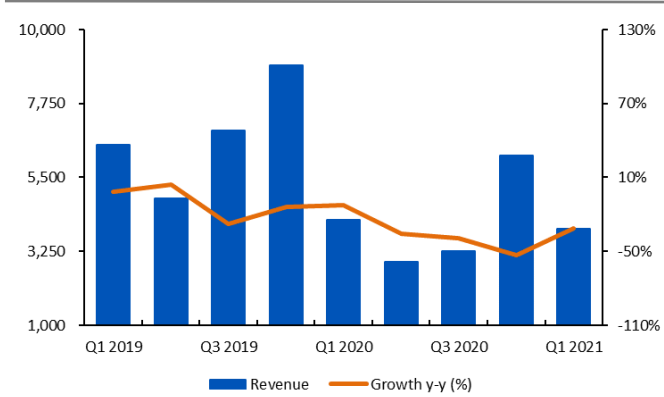
Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKSI Research

Please consider the rating criteria & important disclaimer

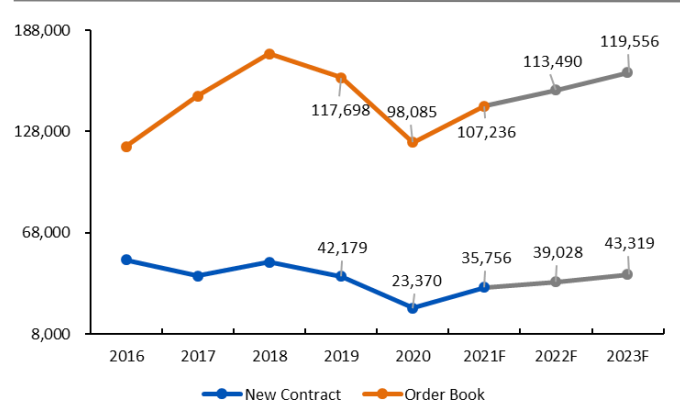
## Performance Highlights in Charts

WIKA Quarterly Revenue (IDR bn) | 1Q19 - 1Q21



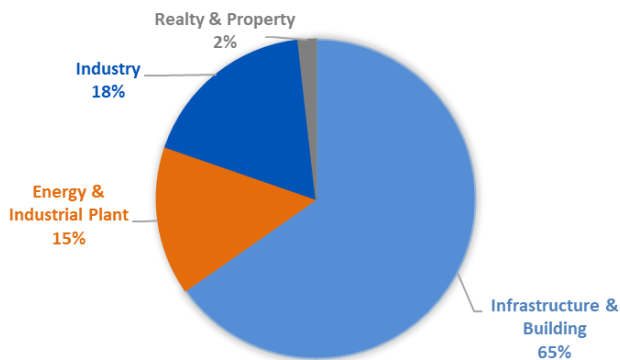
Source: Company Data, NHKSI Research

WIKA Order Book & New Contract



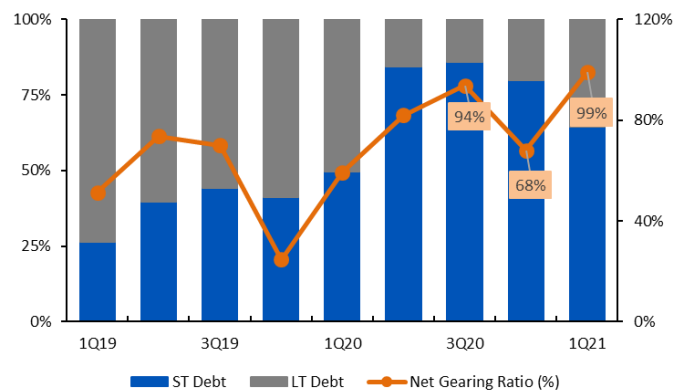
Source: Company Data, NHKSI Research

1Q21's Revenue Breakdown



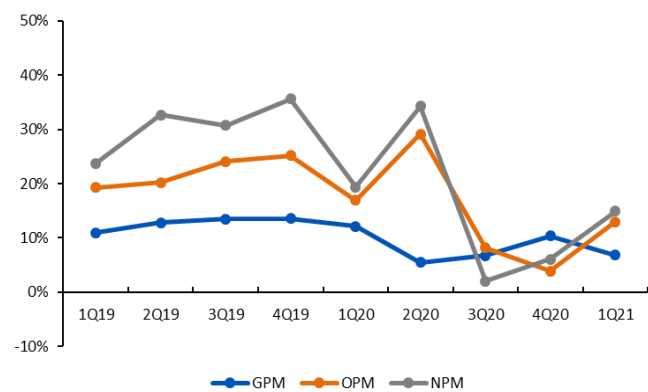
Source: Company Data, NHKSI Research

Debt Portion



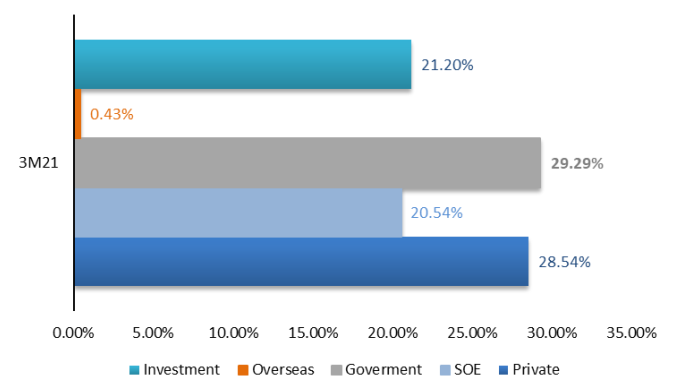
Source: Company Data, NHKSI Research

Margin Ratios



Source: Company Data, NHKSI Research

New Project based on Project Owner | 3M21



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 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.

### Asia Pacific Companies Peers Analysis

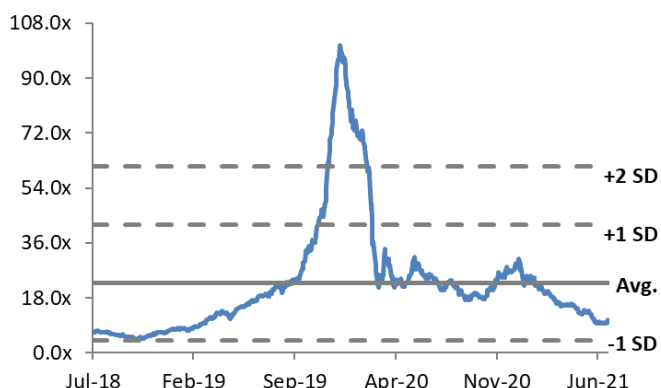
	Market Cap (USD mn)	Asset (USD mn)	Sales (LTM) (USD mn)	Net Profit (LTM) (USD mn)	Net Profit Growth (LTM)	Net Profit Margin	ROE (LTM)	EV/EBITDA (LTM)	P/BV
<b>Indonesia</b>									
PT WIJAYA KARYA PERSERO TBK	641	4,891	1,118	11	-92.2%	1.0%	1.2%	28.7x	0.7x
PT PP PERSERO TBK	392	3,840	1,049	11	-77.1%	1.0%	1.4%	13.3x	0.5x
PT WASKITA KARYA PERSERO TBK	923	7,583	1,113	(507)	-	-45.6%	-58.1%	-	1.8x
PT ADHI KARYA PERSERO TBK	182	2,736	679	1	-97.3%	0.2%	0.3%	16.1x	0.5x
<b>Thailand</b>									
CH. KARNCHANG PUBLIC CO LTD	886	2,760	462	30	-28.2%	6.5%	3.6%	69.1x	1.2x
SINO THAI ENGR & CONSTR PCL	584	1,468	1,098	35	-19.9%	3.2%	7.9%	9.3x	1.3x
UNIQUE ENGINEERING & CON PCL	210	1,119	347	2	-90.0%	0.7%	0.9%	10.7x	0.9x
<b>Philippines</b>									
MEGAWIDE CONSTRUCTION CORP	249	1,694	237	(13)	-	-5.5%	-5.5%	39.3	0.7x
EEI CORPORATION	155	560	248	(42)	-	-17.0%	-27.8%	-	1.2x
HOUSE OF INVESTMENTS	61	1,081	388	(15)	-	-3.9%	-5.0%	-	0.2x
<b>Vietnam</b>									
FLC FAROS CONSTRUCTION JSC	120	454	61	1	-84.4%	1.3%	0.3%	111.9x	0.5x
HO CHI MINH CITY INFRASTRUCT	168	1,279	253	1	-96.7%	0.2%	0.2%	20.9x	0.8x
HOA BINH CONSTRUCTION GROUP	128	673	476	4	-70.8%	0.8%	2.5%	18.0x	0.8x
<b>Malaysia</b>									
GAMUDA BHD	1,689	4,370	856	86	-37.8%	10.0%	4.1%	16.4x	0.8x
IJM CORP BHD	1,559	5,667	1,348	103	72.3%	7.7%	4.4%	9.9x	0.7x
SUNWAY CONSTRUCTION GROUP BHD	485	474	394	18	-33.1%	4.7%	11.8%	-	3.1x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

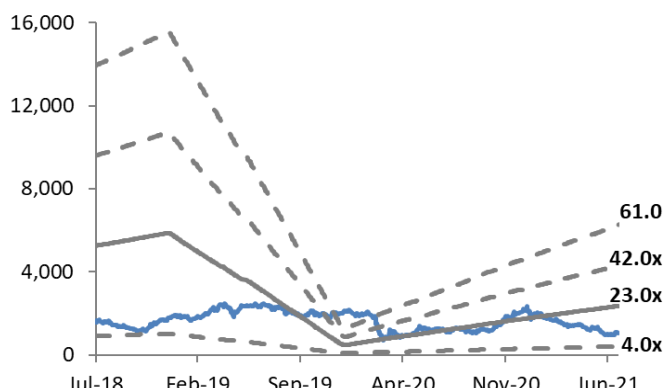
## Valuation Highlights in Charts

3-Years Forward P/E Band



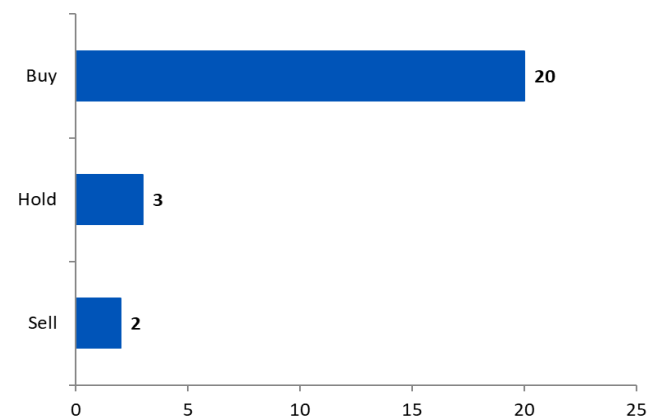
Source: Bloomberg, NHKSI Research

3-Years Dynamic Forward P/E band



Source: Bloomberg, NHKSI Research

Analysts' Recommendation



Source: Bloomberg, NHKSI Research

Closing and Target Price Update



Source: Bloomberg, NHKSI Research

## Rating and Target Price Update

Target Price

Date	Rating	Target Price	Last Price	Consensus	Potential Upside	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%
08/07/2021	Buy	1,390 (12 Month)	980	1,558	+41.8%	-10.8%
27/07/2021	Buy	1,390 (12 Month)	1,035	1,533	+34.3%	-9.3%

Source: NHKSI Research, Bloomberg

## Summary of Financials

## INCOME STATEMENT

In IDR bn	2020/12A	2021/12E	2022/12E	2023/12E
<b>Revenue</b>	<b>16,536</b>	<b>20,058</b>	<b>22,725</b>	<b>26,302</b>
Growth (% y/y)	-39.2%	21.3%	13.3%	15.7%
Cost of Revenue	(15,012)	(17,982)	(20,195)	(23,182)
<b>Gross Profit</b>	<b>1,525</b>	<b>2,076</b>	<b>2,530</b>	<b>3,121</b>
Gross Margin	9.2%	10.3%	11.1%	11.9%
Operating Expenses	(982)	(874)	(835)	(789)
<b>EBIT</b>	<b>543</b>	<b>1,202</b>	<b>1,695</b>	<b>2,332</b>
EBIT Margin	3.3%	6.0%	7.5%	8.9%
Depreciation	556	957	956	1,147
<b>EBITDA</b>	<b>1,099</b>	<b>2,159</b>	<b>2,651</b>	<b>3,479</b>
EBITDA Margin	6.6%	10.8%	11.7%	13.2%
Interest Expenses	(1,222)	(1,231)	(1,125)	(1,626)
<b>EBT</b>	<b>310</b>	<b>819</b>	<b>1,471</b>	<b>1,715</b>
Income Tax	12	(17)	(162)	(198)
Minority Interest	(137)	(131)	(191)	(236)
<b>Net Profit</b>	<b>186</b>	<b>671</b>	<b>1,119</b>	<b>1,281</b>
Growth (% y/y)	-91.9%	261.3%	66.7%	14.5%
Net Profit Margin	1.1%	3.3%	4.9%	4.9%

## PROFITABILITY &amp; STABILITY

	2020/12A	2021/12E	2022/12E	2023/12E
ROE	1.0%	4.0%	6.3%	6.8%
ROA	0.3%	1.0%	1.5%	1.5%
Inventory Turnover	1.8x	1.7x	1.8x	1.9x
Receivables Turnover	5.0x	6.4x	5.2x	5.8x
Payables Turnover	1.1x	1.3x	1.5x	1.7x
Dividend Yield (%)	2.6%	0.0%	1.3%	2.2%
Payout Ratio (%)	20%	0%	24%	24%
DER	158%	163%	170%	182%
Net Gearing	68%	89%	98%	111%
Equity Ratio	24%	24%	23%	22%
Debt Ratio	39%	39%	39%	41%
Financial Leverage	363%	371%	424%	437%
Current Ratio	109%	113%	140%	130%
Quick Ratio	86%	88%	109%	101%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	8,970	8,970	8,970	8,970
Share Price (IDR)	1,985	1,390	1,390	1,390
Market Cap (IDR tn)	17.8	12.5	12.5	12.5

## BALANCE SHEET

In IDR bn	2020/12A	2021/12E	2022/12E	2023/12E
Cash	14,952	12,874	13,177	13,692
Receivables	2,176	4,089	4,569	4,549
Inventories	9,813	11,297	11,769	12,365
<b>Total Current Assets</b>	<b>47,981</b>	<b>51,339</b>	<b>54,023</b>	<b>55,977</b>
Net Fixed Assets	11,122	12,445	14,671	17,206
Other Non Current Assets	9,006	9,395	11,074	12,988
<b>Total Non Current Assets</b>	<b>20,128</b>	<b>21,840</b>	<b>25,745</b>	<b>30,194</b>
<b>Total Assets</b>	<b>68,109</b>	<b>73,179</b>	<b>79,768</b>	<b>86,171</b>
Payables	14,241	13,425	13,576	14,369
ST Debt	21,013	18,167	10,249	14,337
<b>Total Current Liabilities</b>	<b>44,168</b>	<b>45,260</b>	<b>38,642</b>	<b>43,225</b>
LT Debt	5,265	10,025	20,724	20,603
<b>Total Liabilities</b>	<b>51,452</b>	<b>55,884</b>	<b>61,549</b>	<b>66,973</b>
Capital Stock + APIC	7,452	7,452	7,452	7,452
Retained Earnings	4,390	5,061	6,019	7,031
<b>Shareholders' Equity</b>	<b>16,657</b>	<b>17,295</b>	<b>18,219</b>	<b>19,198</b>

## CASH FLOW STATEMENT

In IDR bn	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	(969)	(394)	993	1,484
Investing Cash Flow	(5,233)	(3,567)	(3,277)	(4,634)
Financing Cash Flow	10,762	1,853	2,587	3,666
<b>Net Changes in Cash</b>	<b>4,560</b>	<b>(2,108)</b>	<b>303</b>	<b>515</b>

## VALUATION INDEX

	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	95.8x	18.6x	11.1x	9.7x
PE/EPS Growth	-1.0x	0.1x	0.2x	0.7x
Price /Book Value	1.1x	0.7x	0.7x	0.6x
EV/EBITDA	29.2x	14.2x	12.5x	10.5x
EV (IDR bn)	32,110	30,731	33,176	36,595
Revenue CAGR (3-Yr)	-14.2%	-13.7%	-5.8%	16.7%
Net Profit CAGR (3-Yr)	-46.3%	-27.1%	-21.2%	90.3%
Basic EPS (IDR)	21	75	125	143
BVPS (IDR)	1,857	1,928	2,031	2,140
DPS (IDR)	50.95	-	17.96	29.93

## OWNERSHIP

Shareholders	%
Republic of Indonesia	65.5
Vanguard Group	1.2
Norges Bank	1.0
Dimensional Fund Advisors	0.7
Others	31.7
By Geography	%
Indonesia	93.8
United States	4.0
Norway	1.4
Others	6.2

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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