

Wijaya Karya Tbk (WIKA)

Gearing Ratio Level Still Maintained

WIKA recorded 1H21 revenue of IDR6.76 trillion, or down 5% YoY, due to delays from the project owner's side for some ongoing projects. Meanwhile, WIKA cut the new contract target to IDR35 trillion. However, we see that this year's achievement will be better with new contracts estimated to go up by 38% YoY. Although the company has issued bonds twice, WIKA's gearing ratio is still well maintained.

Some Project Constructions are Delayed, Hindering 2Q21 Revenue Growth

- WIKA recorded 2Q21 revenue of IDR2.84 trillion (-3% YoY). Meanwhile, 1H21 revenue was booked at IDR6.76 trillion (-5.1% YoY vs IDR7.1 trillion 1H20).
- Decline in 2Q21 top line was on the back of lower income from the infrastructure and building (-17% YoY). However, the energy and industrial plant segment jumped 88% YoY.
- WIKA faced difficulties in cash receipts from customers. This is caused by some ongoing projects that had to be postponed due to the project owners' request.
- Miscellaneous revenue in 2Q21 was down 90% YoY, due to the higher base in 2Q20 as interest income and impairment recovery.
- This then resulted in 2Q21 profit to fall to IDR5 billion (-97% YoY vs IDR151 billion in 2Q20). Profit in 1H21 was also down 35% to IDR83 billion.

New Contract Target Revision FY21

- WIKA revised the new contracts in FY21 from IDR40.12 trillion to IDR35 trillion.
- During 1H21, WIKA gained new contracts worth IDR10.5 trillion (+209% YoY), achieving 30% of the new target. New contracts for infrastructure and buildings were recorded at IDR6.58 trillion, higher than its achievement pre-pandemic.
- We see that although it is still quite far from the target, WIKA's new contract achievement this year will begin to improve. We estimate an increase of 38% YoY.
- Until the end of the year, WIKA is still in the bidding process for projects such as dams, irrigation, toll roads, smelters, and power plants in Kalimantan and Sulawesi, with an estimated value of IDR25 trillion.

Gearing Ratio Level

- In 1H21, WIKA received the proceeds from the issuance of bonds and sustainable sukuk phase I, with a total value of IDR3 trillion.
- In 2H21 WIKA will receive more fresh funds from the sale of bonds and sustainable sukuk phase II with a value of up to IDR2.5 trillion, which will be used for refinancing and working capital.
- However, we estimate that WIKA's gearing ratio in FY21 will still be manageable at around 1.7x

Maintain BUY rating with TP at IDR1,410

- We increased FY22E profit by 7.4% to IDR1.2 trillion. With estimates that new divestments can be done next year, where WIKA plans to sell its assets in the form of ports and toll roads.
- We maintain our BUY recommendation with TP of IDR1.410 based on the forward P/E 10.6x method. Our TP has a potential return of 21.6% from last price.
- Risks to our TP change are: 1) Daily increases in Covid-19 cases, 2) Tightened of PPKM which hampers economic recovery, 3) result of WIKA's asset divestments.

Wijaya Karya Tbk | Summary

	2020A	2021F	2022F	2023F
Revenue	16,536	18,960	24,625	28,872
Growth	-39.2%	14.7%	29.9%	17.2%
Net Profit	186	327	1,201	1,239
Growth	-91.9%	75.9%	267.6%	3.2%
EPS (IDR)	21	36	134	138
P/E	95.8x	38.7x	10.5x	10.2x
P/BV	1.1x	0.7x	0.7x	0.7x
EV/EBITDA	29.2x	16.5x	11.7x	9.2x
ROE	1.0%	1.9%	6.8%	6.6%
DER	158%	171%	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

Company Update | Sept 27, 2021

BUY

Target Price (IDR)	1,410
Consensus Price (IDR)	1,190
TP to Consensus Price	+18.5%
Potential Upside	+21.6%

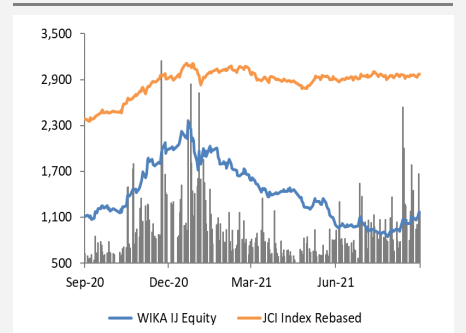
Shares data

Last Price (IDR)	1,160
Price Date as of	Sept, 24 2021
52 wk Range (Hi/Lo)	2,450/850
Free Float (%)	34.9
Outstanding sh. (mn)	8,970
Market Cap. (IDR bn)	10,405
Market Cap. (USD mn)	729
Avg. Trd Vol - 3M (mn)	50.44
Avg. Trd Val - 3M (bn)	50.99
Foreign Ownership	6.1%

Infrastructure Construction

Bloomberg	WIKI IJ
Reuters	WIKI.JK

Share Price Performance



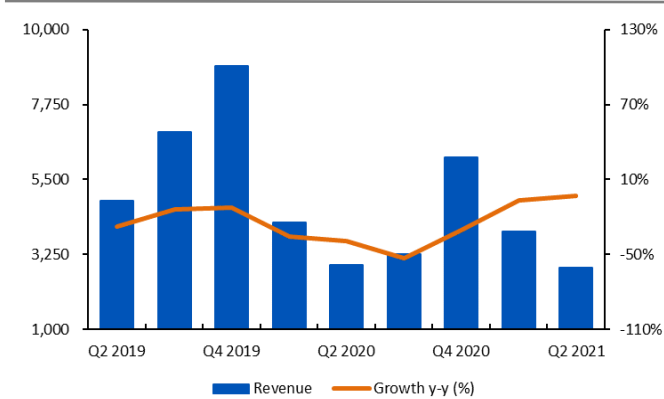
	YTD	1M	3M	12M
Abs. Ret.	-43.1%	28.9%	14.3%	9.4%
Rel. Ret.	-43.8%	28.0%	12.1%	-17.5%

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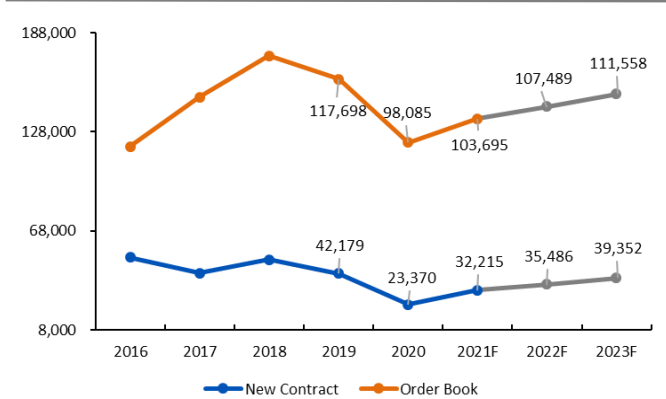
Performance Highlights in Charts

WIKA Quarterly Revenue (IDR bn) | 2Q19 - 2Q21



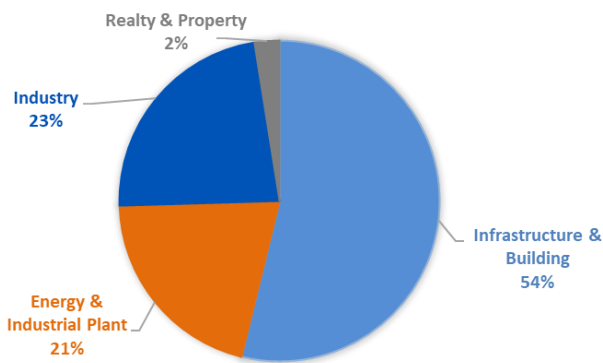
Source: Company Data, NHKSI Research

WIKA Order Book & New Contract



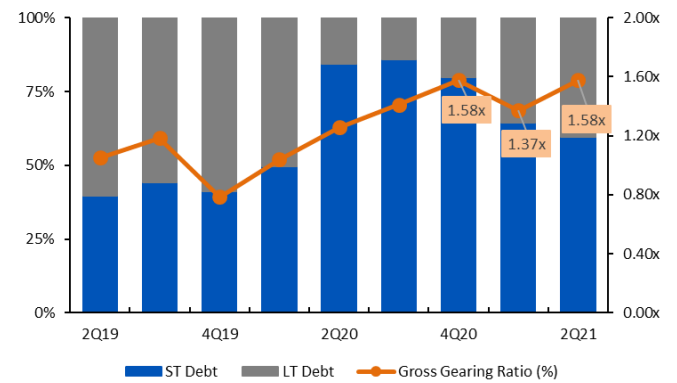
Source: Company Data, NHKSI Research

2Q21's Revenue Breakdown



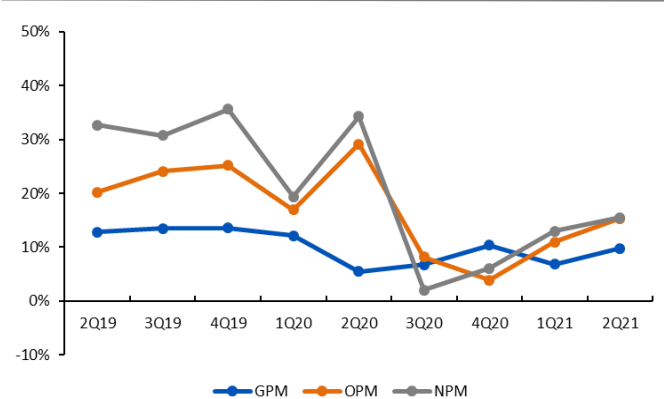
Source: Company Data, NHKSI Research

Debt Portion



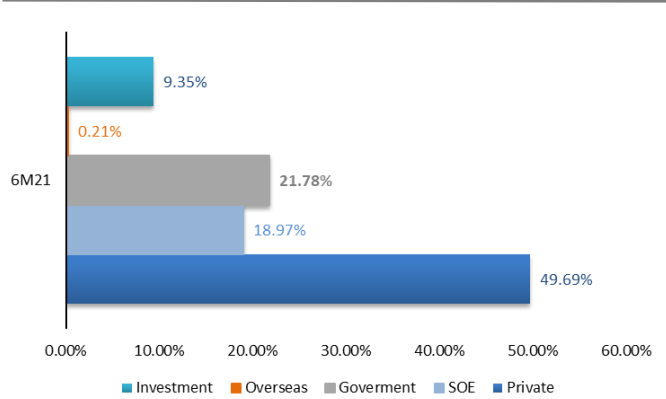
Source: Company Data, NHKSI Research

Margin Ratios



Source: Company Data, NHKSI Research

New Project based on Project Owner | 6M21



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

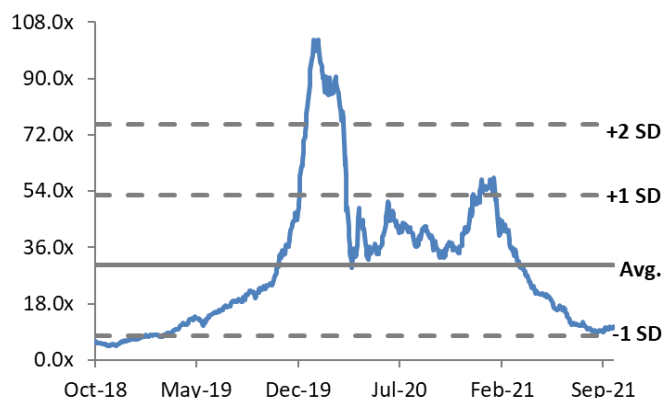
	Market Cap (USD mn)	Asset (USD mn)	Sales (LTM) (USD mn)	Net Profit (LTM) (USD mn)	Net Profit Growth (LTM)	Net Profit Margin	ROE (LTM)	EV/EBITDA (LTM)	P/BV
Indonesia									
PT WIJAYA KARYA PERSERO TBK	729	4,891	1,122	1	-98.9%	0.1%	0.1%	60.3x	0.8x
PT PP PERSERO TBK	460	3,840	1,078	14	-60.0%	1.3%	1.8%	12.4x	0.6x
PT WASKITA KARYA PERSERO TBK	784	7,583	893	(433)	-440.6%	-48.5%	-55.4%	-	1.5x
PT ADHI KARYA PERSERO TBK	226	2,736	676	1	-95.4%	0.2%	0.4%	16.9x	0.6x
Thailand									
CH. KARNCHANG PUBLIC CO LTD	978	2,760	439	38	188.4%	8.8%	4.6%	69.5x	1.3x
SINO THAI ENGR & CONSTR PCL	603	1,468	1,040	29	-28.6%	2.8%	6.3%	8.5x	1.4x
UNIQUE ENGINEERING & CON PCL	209	1,119	352	1	-95.4%	0.2%	0.3%	11.4x	0.9x
Philippines									
MEGAWIDE CONSTRUCTION CORP	247	1,694	288	(3)	-	-1.0%	-2.3%	23.9x	0.9x
EEL CORPORATION	150	560	319	(20)	-2963.9%	-6.3%	-13.3%	-	1.1x
HOUSE OF INVESTMENTS	55	1,081	469	2	-73.4%	-0.4%	0.6%	-	0.2x
Vietnam									
FLC FAROS CONSTRUCTION JSC	140	454	84	8	-	9.5%	3.1%	44.0x	0.5x
HO CHI MINH CITY INFRASTRUCT	183	1,279	269	1	-90.9%	0.5%	0.6%	18.1x	0.9x
HOA BINH CONSTRUCTION GROUP	160	673	487	6	-41.4%	1.2%	3.9%	17.3x	1.0x
Malaysia									
GAMUDA BHD	1,842	4,370	856	86	-37.8%	10.0%	4.1%	16.4x	0.9x
IJM CORP BHD	1,573	5,667	1,466	120	157.8%	8.2%	5.4%	9.1x	0.7x
SUNWAY CONSTRUCTION GROUP BHD	505	474	455	20	-1.0%	4.4%	13.5%	-	3.4x

Unit: USD mn, %, X

Source: Bloomberg, NHKSI Research

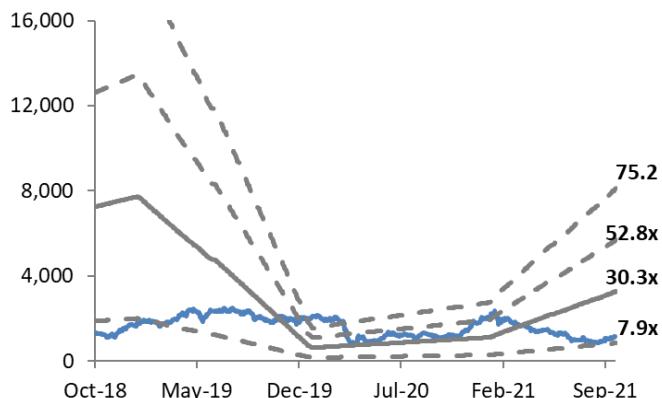
Valuation Highlights in Charts

3-Years Forward P/E Band



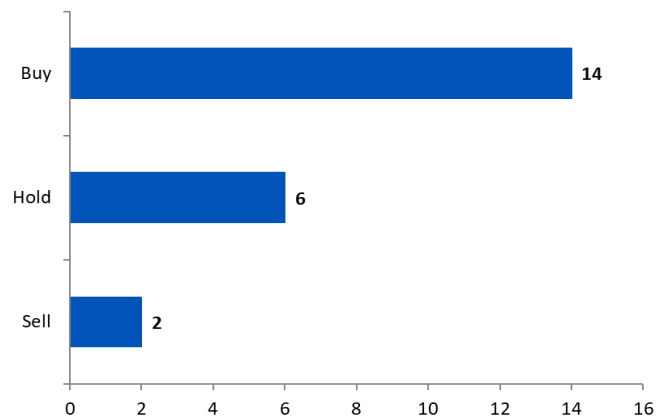
Source: Bloomberg, NHKSI Research

3-Years Dynamic Forward P/E band



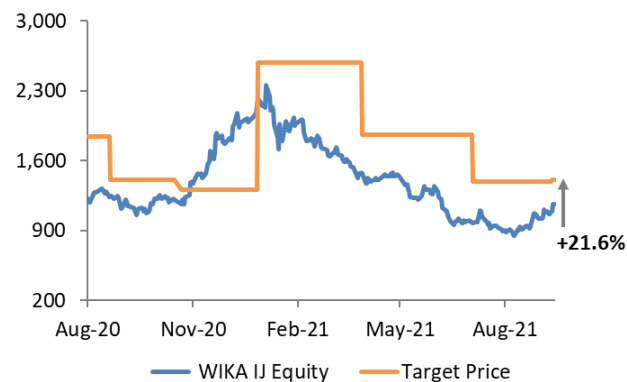
Source: Bloomberg, NHKSI Research

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%
27/09/2021	Buy	1,410 (12 Month)	1,160	1,190	+21.6%	+18.5%

Source: NHKSI Research, Bloomberg

Summary of Financials

INCOME STATEMENT

In IDR bn	2020/12A	2021/12E	2022/12E	2023/12E
Revenue	16,536	18,960	24,625	28,872
Growth (% y/y)	-39.2%	14.7%	29.9%	17.2%
Cost of Revenue	(15,012)	(17,024)	(21,807)	(25,276)
Gross Profit	1,525	1,936	2,817	3,596
Gross Margin	9.2%	10.2%	11.4%	12.5%
Operating Expenses	(982)	(908)	(958)	(866)
EBIT	543	1,028	1,859	2,729
EBIT Margin	3.3%	5.4%	7.5%	9.5%
Depreciation	556	893	1,054	1,260
EBITDA	1,099	1,920	2,913	3,990
EBITDA Margin	6.6%	10.1%	11.8%	13.8%
Interest Expenses	(1,222)	(716)	(1,198)	(1,672)
EBT	310	445	1,646	1,693
Income Tax	12	(19)	(181)	(196)
Minority Interest	(137)	(99)	(264)	(259)
Net Profit	186	327	1,201	1,239
Growth (% y/y)	-91.9%	75.9%	267.6%	3.2%
Net Profit Margin	1.1%	1.7%	4.9%	4.3%

PROFITABILITY & STABILITY

	2020/12A	2021/12E	2022/12E	2023/12E
ROE	1.0%	1.9%	6.8%	6.6%
ROA	0.3%	0.5%	1.7%	1.6%
Inventory Turnover	1.8x	1.6x	1.9x	2.0x
Receivables Turnover	5.0x	6.4x	5.5x	5.4x
Payables Turnover	1.1x	1.4x	2.0x	2.0x
Dividend Yield (%)	2.6%	0.0%	0.6%	2.3%
Payout Ratio (%)	20%	0%	24%	24%
DER	158%	171%	170%	182%
Net Gearing	68%	95%	101%	110%
Equity Ratio	24%	24%	24%	23%
Debt Ratio	39%	42%	41%	42%
Financial Leverage	363%	364%	414%	422%
Current Ratio	109%	119%	137%	125%
Quick Ratio	86%	91%	104%	94%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	8,970	8,970	8,970	8,970
Share Price (IDR)	1,985	1,410	1,410	1,410
Market Cap (IDR tn)	17.8	12.6	12.6	12.6

BALANCE SHEET

In IDR bn	2020/12A	2021/12E	2022/12E	2023/12E
Cash	14,952	12,980	12,475	13,747
Receivables	2,176	3,746	5,159	5,441
Inventories	9,813	10,870	11,834	13,097
Total Current Assets	47,981	47,328	49,859	52,675
Net Fixed Assets	11,122	14,134	16,527	19,309
Other Non Current Assets	9,006	8,164	9,547	11,154
Total Non Current Assets	20,128	22,298	26,074	30,463
Total Assets	68,109	69,626	75,934	83,138
Payables	14,241	10,430	11,676	13,254
ST Debt	21,013	15,715	10,222	14,301
Total Current Liabilities	44,168	39,851	36,439	42,125
LT Debt	5,265	13,387	20,668	20,552
Total Liabilities	51,452	52,607	57,763	63,987
Capital Stock + APIC	7,452	7,452	7,452	7,452
Retained Earnings	4,390	4,717	5,840	6,790
Shareholders' Equity	16,657	17,019	18,171	19,150

CASH FLOW STATEMENT

In IDR bn	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	(969)	352	1,300	2,561
Investing Cash Flow	(5,233)	(5,155)	(3,543)	(4,994)
Financing Cash Flow	10,762	2,799	1,738	3,705
Net Changes in Cash	4,560	(2,004)	(505)	1,271

VALUATION INDEX

	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	95.8x	38.7x	10.5x	10.2x
PE/EPS Growth	-1.0x	0.5x	0.0x	3.2x
Price /Book Value	1.1x	0.7x	0.7x	0.7x
EV/EBITDA	29.2x	16.5x	11.7x	9.2x
EV (IDR bn)	32,110	31,778	34,100	36,821
Revenue CAGR (3-Yr)	-14.2%	-15.3%	-3.3%	20.4%
Net Profit CAGR (3-Yr)	-46.3%	-42.6%	-19.3%	88.2%
Basic EPS (IDR)	21	36	134	138
BVPS (IDR)	1,857	1,897	2,026	2,135
DPS (IDR)	50.95	-	8.74	32.14

OWNERSHIP

Shareholders	%
Republic of Indonesia	65.0
Vanguard Group	1.2
Norges Bank	1.0
Dimensional Fund Advisors	0.6
Others	32.2
By Geography	%
Indonesia	93.9
United States	4.0
Norway	1.4
Others	6.1

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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