

# Wijaya Karya Tbk (WIKA)

## Better Performance, New Contracts Still Lagging

WIKA booked significant quarterly growth, marked by an increase in revenue (+71.7% QoQ) and net profit (+305.7% QoQ). However, high operational costs held performance from reaching its optimum, while growth mostly caused by low basis effect in the previous quarter. The company expects the continuation of some major projects to support future performance.

### Excellent Performance Growth, But not yet Optimal

- WIKA booked a revenue of IDR4.88 trillion in 3Q21; up 71.7% compared to the previous quarter. The Infrastructure and Construction segment is still the biggest contributor with a revenue of IDR3.25 trillion.
- However, the revenue growth was also accompanied by an increase operational cost that jumped 69.9% to IDR947.7 billion in 3Q21.
- Thus, although net profit shot up 305.7% on a quarterly basis to IDR21.5 billion, this is mostly caused by the 2Q21 low basis effect.
- On the leverage side, WIKA's debt position still showed an upward trend. This is marked by the Net Gearing Ratio position that went up to 129.6% (vs 112.6% di 2Q21).

### New Contract Acquirement Still Low

- Until 10M21, WIKA's new contract acquirement reached IDR14.1 trillion; or up 32.4% compared to the same period last year. This figure has only fulfilled 40,3% of the 2021 revised contract target of at IDR35 trillion.
- Some projects in the company's pipeline are: Doho - Kediri Airport owned by GGRM worth IDR1.5 trillion; revitalization of Halim Perdana Kusuma airport; as well as the Serang-Panimbang section 2 toll road. Meanwhile, WIKA is currently participate in the tender process for new projects valued at around IDR 23 trillion. For 2022, the company targets new contract to be in the range of IDR35 - 40 trillion.
- WIKA's performance will also rely on the continuation of some major projects such as: 1) Jakarta - Bandung High-Speed Rail, where the company's role as the head of consortium has been replaced by PT Kereta Api Indonesia (KAI); and 2) New Capital City Project in East Kalimantan, where WIKA will aim to participate with other construction SOEs.

### Overweight Recommendation with TP of IDR1,280/share

- We downgrade our rating for WIKA to Overweight (from Buy); with a target price of IDR1,280 per share. Our target price implies 22F P/E of 14.3x (+1 SD of 3-year average). Some risks to our TP are: 1) The continuation of Covid-19 pandemic that may potentially hinder tender process and project constructions; 2) Below target new contract achievement; 3) Weakening debt level.

### Wijaya Karya Tbk | Summary

in IDR bn	2020/12A	2021/12F	2022/12F	2023/12F
Revenue	16,536	18,960	23,561	26,834
Revenue growth	-39.2%	14.7%	24.3%	13.9%
Net profit	186	327	803	1,092
Growth	-91.9%	75.9%	145.6%	36.1%
EPS (IDR)	21	36	89	122
P/E	95.8x	30.3x	14.3x	10.5x
P/BV	1.1x	0.6x	0.6x	0.6x
EV/EBITDA	29.2x	15.1x	11.6x	9.3x
ROE	1.0%	1.9%	4.6%	6.0%
DER	158%	171%	170%	182%
Dividend yield	2.6%	0.0%	1.3%	2.2%

Source: Company Data, Bloomberg, NHKSI Research  
Please consider the rating criteria & important disclaimer

## BUY

<b>Target Price</b>	<b>1,280</b>
Consensus Price (IDR)	1,363
TP to Consensus Price	-6.1%
Potential Upside	+13.8%

### Shares data

Last Price (IDR)	1,125
Price date as of	January 12, 2022
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)	728.8
Avg. Trd Vol - 3M (mn)	33.3
Avg. Trd Val - 3M (bn)	42.1
Foreign Ownership	5.9%

### Infrastructure

### Construction

Bloomberg

WIKA.IJ

Reuters

WIKA.JK

### Share Performance



	YTD	1M	3M	12M
Abs. Ret	5.0%	-2.9%	-12.5%	-47.8%
Rel. Ret	3.3%	-3.5%	-15.7%	-54.7%

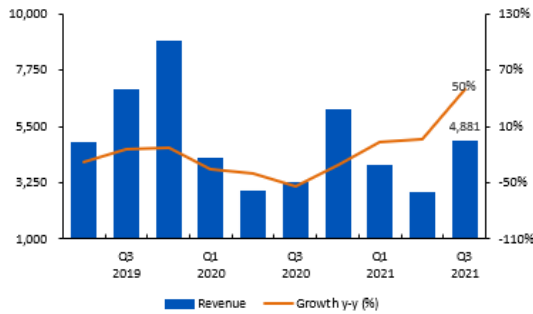
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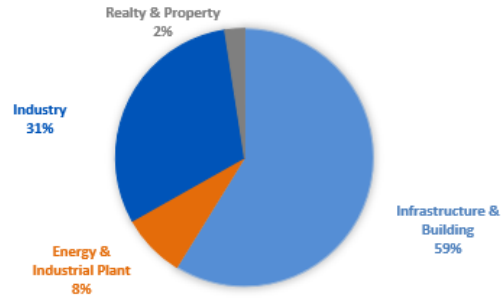
# Performance Highlights

## Revenue Growth



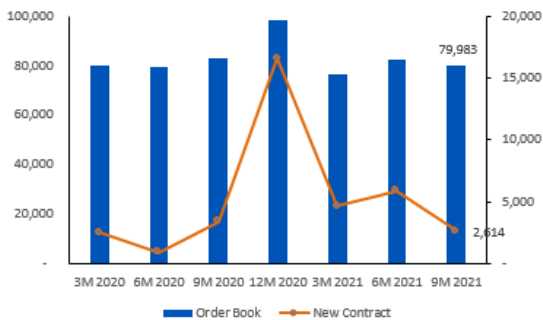
Source: Bloomberg, NHKSI Research

## Revenue Breakdown 3Q21



Source: Bloomberg, NHKSI Research

## New Contracts and Order Book Growth



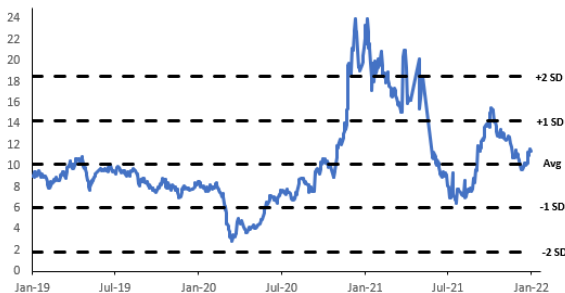
Source: Company Data, NHKSI Research

## Debt Portion



Source: Company Data, NHKSI Research

## WIKA Blended Forward P/E Ratio (3-year)



Source: Bloomberg, NHKSI Research

## WIKA Price/Book Value Ratio (3-year)



Source: Bloomberg, NHKSI Research

## Summary of Financials

### INCOME STATEMENT

In IDR bn	2020/12A	2021/12E	2022/12E	2023/12E
<b>Revenue</b>	<b>16,536</b>	<b>18,960</b>	<b>23,561</b>	<b>26,834</b>
Growth (% y/y)	-39.2%	14.7%	24.3%	13.9%
Cost of Revenue	(15,012)	(17,024)	(20,865)	(23,492)
<b>Gross Profit</b>	<b>1,525</b>	<b>1,936</b>	<b>2,696</b>	<b>3,342</b>
Gross Margin	9.2%	10.2%	11.4%	12.5%
Operating Expenses	(982)	(908)	(917)	(805)
<b>EBIT</b>	<b>543</b>	<b>1,028</b>	<b>1,779</b>	<b>2,537</b>
EBIT Margin	3.3%	5.4%	7.5%	9.5%
Depreciation	556	893	1,054	1,252
<b>EBITDA</b>	<b>1,099</b>	<b>1,920</b>	<b>2,832</b>	<b>3,788</b>
EBITDA Margin	6.6%	10.1%	12.0%	14.1%
Interest Expenses	(1,222)	(716)	(1,198)	(1,635)
<b>EBT</b>	<b>310</b>	<b>445</b>	<b>1,100</b>	<b>1,492</b>
Income Tax	12	(19)	(121)	(172)
Minority Interest	(137)	(99)	(176)	(228)
<b>Net Profit</b>	<b>186</b>	<b>327</b>	<b>803</b>	<b>1,092</b>
Growth (% y/y)	-91.9%	75.9%	145.6%	36.1%
Net Profit Margin	1.1%	1.7%	3.4%	4.1%

### PROFITABILITY & STABILITY

	2020/12A	2021/12E	2022/12E	2023/12E
ROE	1.0%	1.9%	4.6%	6.0%
ROA	0.3%	0.5%	1.1%	1.4%
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%	0.7%	1.7%
Payout Ratio (%)	20%	0%	24%	24%
DER	158%	171%	170%	182%
Net Gearing	68%	95%	103%	111%
Equity Ratio	24%	24%	25%	24%
Debt Ratio	39%	42%	42%	43%
Financial Leverage	363%	364%	407%	418%
Current Ratio	109%	119%	138%	125%
Quick Ratio	86%	91%	106%	94%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	8,970	8,970	8,970	8,970
Share Price (IDR)	1,985	1,105	1,280	1,280
Market Cap (IDR tn)	17.8	9.9	11.5	11.5

### BALANCE SHEET

In IDR bn	2020/12A	2021/12E	2022/12E	2023/12E
Cash	14,952	12,980	11,959	13,241
Receivables	2,176	3,746	4,774	5,077
Inventories	9,813	10,870	10,853	12,317
<b>Total Current Assets</b>	<b>47,981</b>	<b>47,328</b>	<b>46,339</b>	<b>49,769</b>
Net Fixed Assets	11,122	14,134	16,379	18,884
Other Non Current Assets	9,006	8,164	9,461	10,908
<b>Total Non Current Assets</b>	<b>20,128</b>	<b>22,298</b>	<b>25,840</b>	<b>29,792</b>
<b>Total Assets</b>	<b>68,109</b>	<b>69,626</b>	<b>72,178</b>	<b>79,560</b>
Payables	14,241	10,430	10,722	12,449
ST Debt	21,013	15,715	9,998	13,965
<b>Total Current Liabilities</b>	<b>44,168</b>	<b>39,851</b>	<b>33,622</b>	<b>39,726</b>
LT Debt	5,265	13,387	20,215	20,070
<b>Total Liabilities</b>	<b>51,452</b>	<b>52,607</b>	<b>54,406</b>	<b>60,860</b>
Capital Stock + APIC	7,452	7,452	7,452	7,452
Retained Earnings	4,390	4,717	5,441	6,340
<b>Shareholders' Equity</b>	<b>16,657</b>	<b>17,019</b>	<b>17,772</b>	<b>18,701</b>

### VALUATION INDEX

	2020/12A	2021/12E	2022/12E	2023/12E
Price /Earnings	95.8x	30.3x	14.3x	10.5x
PE/EPS Growth	-1.0x	0.4x	0.1x	0.3x
Price /Book Value	1.1x	0.6x	0.6x	0.6x
EV/EBITDA	29.2x	15.1x	11.6x	9.3x
EV (IDR bn)	32,110	29,042	32,773	35,342
Revenue CAGR (3-Yr)	-14.2%	-15.3%	-4.7%	17.5%
Net Profit CAGR (3-Yr)	-46.3%	-42.6%	-29.4%	80.5%
Basic EPS (IDR)	21	36	89	122
BVPS (IDR)	1,857	1,897	1,981	2,085
DPS (IDR)	50.95	-	8.74	21.47

### OWNERSHIP

<b>Shareholders</b>	%
Republic of Indonesia	65.0
Vanguard Group	1.2
Norges Bank	1.0
Blackrock Inc	0.8
Others	32.0
<b>By Geography</b>	%
Indonesia	94.0
United States	3.8
Norway	1.4
Others	0.8

### CASH FLOW STATEMENT

In IDR bn	2020/12A	2021/12E	2022/12E	2023/12E
Operating Cash Flow	(969)	352	1,312	2,332
Investing Cash Flow	(5,233)	(5,155)	(3,395)	(4,709)
Financing Cash Flow	10,762	2,799	1,061	3,659
<b>Net Changes in Cash</b>	<b>4,560</b>	<b>(2,004)</b>	<b>(1,021)</b>	<b>1,283</b>

Source: Bloomberg, 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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