

Wira Global Solusi Tbk (WGSJ IJ)

NFT as A New Revenue Stream



Initiation Report | May 11, 2022

Buy

Target Price (IDR)	520
Consensus Price (IDR)	N/A
TP to Consensus Price	N/A
Vs. Last Price	163.9%

Shares data

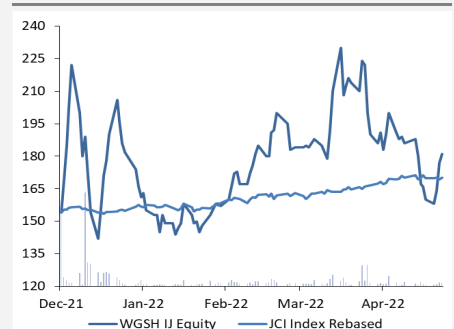
Last Price (IDR)	197
Price Date as of	May 10, 2022
52 wk Range (Hi/Low)	250 / 139
Free Float (%)	17.5
Outstanding sh.(mn)	1,043
Market Cap (IDR bn)	188
Market Cap (USD mn)	13
Avg. Trd Vol - 3M (mn)	8.1
Avg. Trd Val - 3M (bn)	1,543.9
Foreign Ownership	0.0%

Technology

Software & IT Services

Bloomberg	WGSJ IJ
Reuters	WGSJ.JK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-0.5%	-13.8%	22.3%	17.5%
Rel. Ret.	-10.4%	-16.4%	13.5%	7.1%

Arief Machrus

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Through the acquisition of Mythologic Studio, WGSJ has completed the ecosystem to meet the needs of 3D Modeling, Game Assets, and AR. This Venture Builder company, following the trend of Metaverse and NFT, is targeting the NFT market size business which is projected to reach USD 7.63 billion in 2028. With NFT as a new revenue stream, NHKSI Research projects that WGSJ has the opportunity to increase its net income by up to three times in 2022.

Added New Revenue Stream

- With the new revenue stream that focuses on the Non-Fungible Token (NFT) business, WGSJ has the opportunity to increase its net income.
- We see that both the sale and purchase of NFTs are the real economic engine in Metaverse.
- WGSJ is also aiming for the transactional value of economic transactions in Metaverse, through collaboration in making NFTs.

Accelerating Margin Growth

- Through the addition of new revenue streams, it will accelerate margin growth from existing segments. By entering the NFT business, WGSJ will get a profit sharing portion of between 10% and 15%.
- Currently, WGSJ has as many as four new pipelines which will soon be realized. The Company is also a software service provider company (Pagii, Sandbox).
- Three subsidiaries that make the biggest contribution are: Smooets Teknologi (33.6%), Kirana Tama (31.8%), and Qorser Teknologi (26.8%).

NFTs Market Size

- NHKSI Research projects the market size of NFT to reach USD 7.63 billion in 2028, or to grow 380% from 2021 which is worth USD 1.59 billion.
- WGSJ as one of the Venture Builder companies that can follow the development. This is supported by the acquisition of Mythologic Studio which supports the ecosystem.

Initiate Coverage with Buy Recommendation and TP IDR 520

- WGSJ sales growth, on a 3-year CAGR for the period 2023 and 2024, is projected to grow by 224.9% and 33.3%, respectively, with plenty of room for growth, driven by the NFT industry which has not been very developed.
- On the other hand, we continue to observe a number of risks, namely low acceptance of NFT transactions, fixed costs in maintenance, and limited human resources in the NFT industry.

Wira Global Solusi Tbk | Summary

	2021/12A	2022/12F	2023/12F	2024/12F
Revenue	22,121	30,969	40,280	52,338
Revenue growth	1784.0%	40.0%	30.0%	30.0%
EBITDA	6,866	8,199	11,643	15,604
Net profit	3,961	6,101	8,877	12,026
EPS (IDR)	3.8	5.8	8.5	11.5
EPS growth	2647.3%	54.0%	45.5%	35.5%
BVPS (IDR)	49.9	69.8	90.8	118.0
EBITDA margin	31.0%	26.5%	28.9%	29.8%
NPM	17.9%	19.7%	22.0%	23.0%
ROE	7.6%	8.4%	9.4%	9.8%
ROA	7.3%	8.0%	9.0%	9.3%
ROIC	7.6%	9.6%	10.5%	12.7%
P/E	47.9	88.9	88.9	88.9
P/BV	3.6x	7.4x	8.3x	8.7x
EVEBITDA	22.4x	60.3x	62.8x	63.9x

Unit: IDR Mn, %, x

Source: Company Data, NHKSI Research

Please consider the rating criteria & important disclaimer

Summary of Financials

INCOME STATEMENT				
(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F
Revenues	22,121	30,969	40,260	52,338
Growth	1784.0%	40.0%	30.0%	30.0%
COGS	10,778	16,816	21,418	27,844
Gross Profit	11,343	14,153	18,842	24,494
Gross Margin	51.3%	45.7%	46.8%	46.8%
Operating Expenses	5,354	7,121	8,609	10,632
EBIT	5,989	7,032	10,232	13,862
EBIT Margin	27.1%	22.7%	25.4%	26.5%
Depreciation	877	1,167	1,410	1,742
EBITDA	6,866	8,199	11,643	15,604
EBITDA Margin	31.0%	26.5%	28.9%	29.8%
Interest Expenses	-	-	-	-
EBT	6,379	7,032	10,232	13,862
Income Tax	845	931.36	1,355.25	1,835.93
Minority Interest	-	-	-	-
Net Profit	3,961	6,101	8,877	12,026
Growth	2647.3%	54.0%	45.5%	35.5%
Net Profit Margin	17.9%	19.7%	22.0%	23.0%

BALANCE SHEET				
(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F
Cash	36,106	48,021	58,058	71,701
Receivables	4,026	5,355	6,474	7,995
Inventories	-	-	-	-
Total Current Assets	42,639	59,695	77,603	100,884
Net Fixed Assets	4,005	5,607	7,289	9,476
Other Non Current Assets	6,572	9,201	11,961	15,549
Total Assets	54,491	76,287	99,174	128,926
Payables	451	632	821	1,067
ST Bank Loan	-	-	-	-
LT Debt	-	-	-	-
Total Liabilities	2,472	3,460	4,499	5,848
Capital Stock + APIC	47,606	43,170	43,170	43,170
Retained Earnings	4,413	6,178	8,031	10,441
Shareholders' Equity	52,019	72,827	94,676	123,078

CASH FLOW STATEMENT				
(IDR bn)	2021/12A	2022/12F	2023/12F	2024/12F
Operating Cash Flow	6,946	9,724	12,642	16,434
Investing Cash Flow	(2,036)	(2,851)	(3,706)	(4,818)
Financing Cash Flow	33,021	46,229	60,097	78,127
Net Changes in Cash	34,288	48,003	62,404	81,125

PROFITABILITY & STABILITY				
	2021/12A	2022/12F	2023/12F	2024/12F
ROE	7.6%	8.4%	9.4%	9.8%
ROA	7.3%	8.0%	9.0%	9.3%
ROIC	7.6%	9.6%	10.5%	12.7%
Cash Dividend (IDR bn)	-	-	-	-
Dividend Yield	-	-	-	-
Payout Ratio	-	-	-	-
DER	4.8%	4.8%	4.8%	4.8%
Net Gearing	0.0%	0.0%	0.0%	0.0%
LT Debt to Equity	0.0%	0.0%	0.0%	0.0%
Capitalization Ratio	4.5%	4.5%	4.5%	4.5%
Equity Ratio	95.5%	95.5%	95.5%	95.5%
Debt Ratio	0.8%	0.8%	0.8%	0.8%
Financial Leverage	104.8%	104.8%	104.8%	104.8%
Current Ratio	1725%	1725%	1725%	1725%
Par Value (IDR)	20	20	20	20
Total Shares (Mn)	1,043	1,043	1,043	1,043
Share Price (IDR)	182	520	757	1,025
Market Cap (IDR Bn)	189.8	542.4	789.2	1,069.1

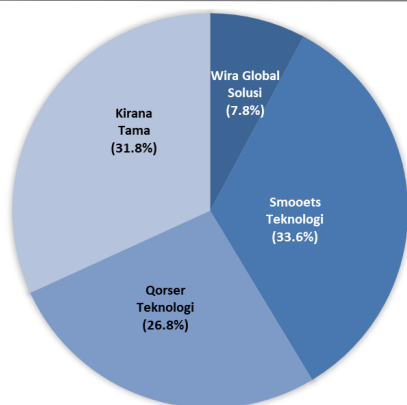
VALUATION INDEX				
	2021/12A	2022/12F	2023/12F	2024/12F
Price/Earnings	47.9	88.9	88.9	88.9
Price/Book Value	3.6x	7.4x	8.3x	8.7x
Price/Sales	8.6x	17.5x	19.6x	20.4x
PE/EPS Growth	0.0x	1.6x	2.0x	2.5x
EV/EBITDA	22.4x	60.3x	62.8x	63.9x
EV/EBIT	25.7x	70.3x	71.5x	72.0x
EV (IDR bn)	153,720	494,339	731,145	997,422
Sales CAGR (3-Yr)	-	-	224.9%	33.3%
EPS CAGR (3-Yr)	-	-	5.7%	44.8%
Basic EPS (IDR)	3.8	5.8	8.5	11.5
Diluted EPS (IDR)	-	-	-	-
BVPS (IDR)	49.9	69.8	90.8	118.0
Sales PS (IDR)	21.2	29.7	38.6	50.2
DPS (IDR)	-	-	-	-

TOP OWNERSHIP			
By Geography	%	Shareholders	%
Indonesia	100	PT Walden Global Serv	36.3
Others	0	PT Wynfield Global Ven	16.4
		PT Silicon Valley Conn.	15.3
		Others	32.1

Source: Company Data, NHKSI Research

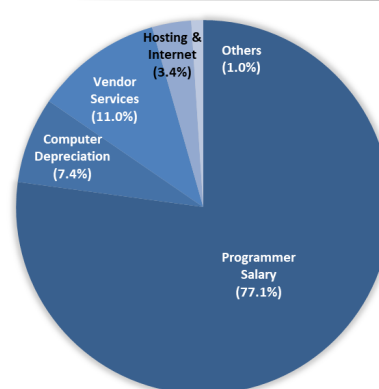
Key Charts

2021 Revenue Breakdown



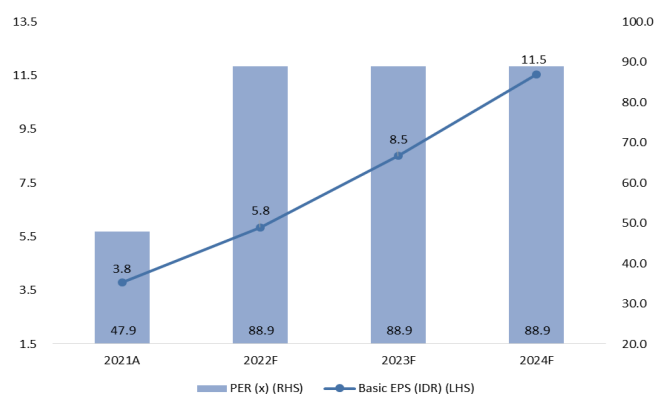
Source: Company Data, NHKSI Research

2021 Cost of Revenue Breakdown



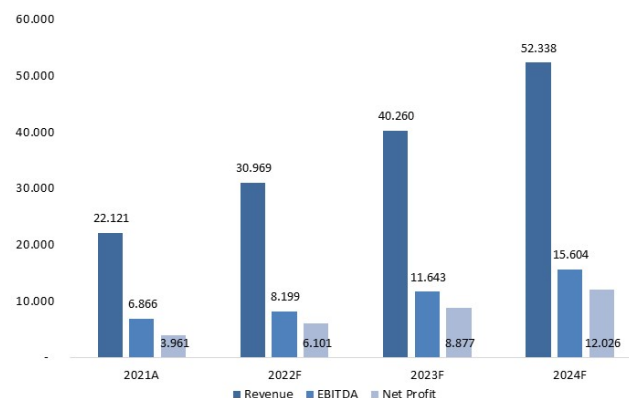
Source: Company Data, NHKSI Research

EPS Vs. PER



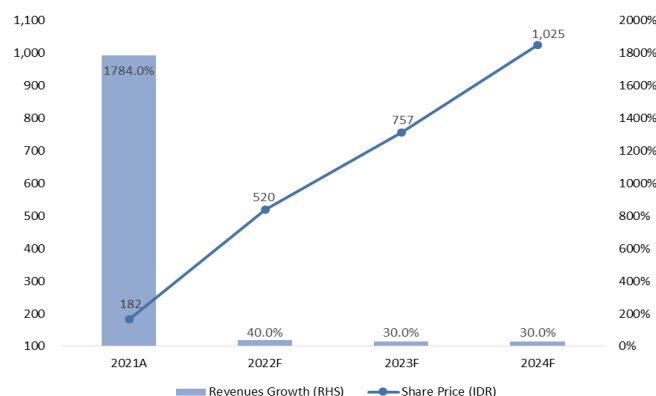
Source: Company Data, NHKSI Research

Revenue / EBITDA / Net Profit (IDR Mn)



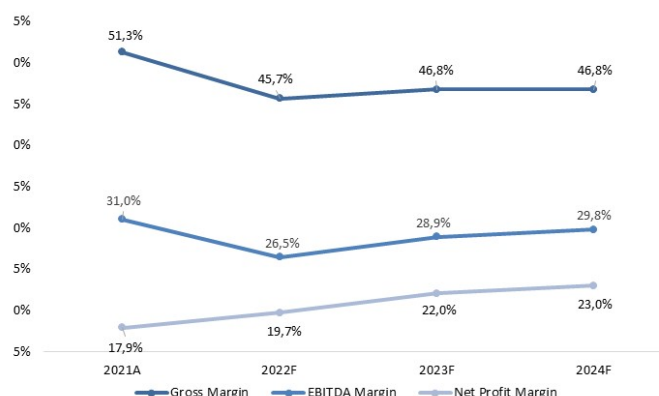
Source: Company Data, NHKSI Research

Share Price Vs. Revenues Growth



Source: Company Data, NHKSI Research

Margin Ratio

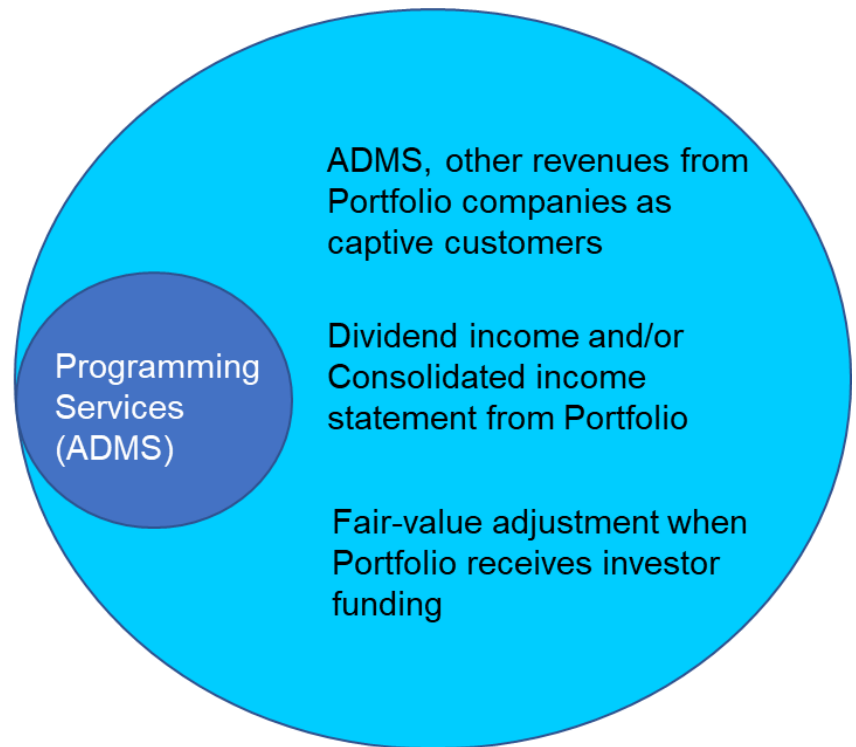


Source: Company Data, NHKSI Research

Business Model

WGSB business as usual is ADMS. WGSB offers its software license, services, and/or hardware devices in exchange of stake or equity in Portfolio.

In turn, these Portfolio benefits WGSB directly and/or indirectly (e.g. by enriching overall ecosystem).



Source: Company Presentation, NHKSI Research

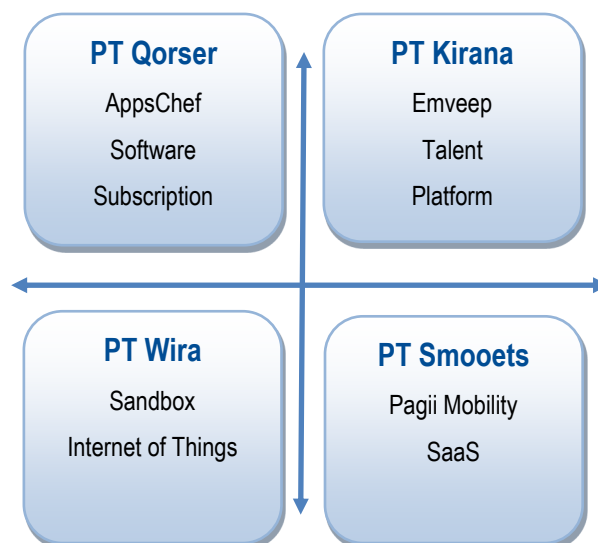
Growth Strategy

Strategic Partnership :

Programming Services and Software License in return of revenue or profit sharing

Internet of Things for:

- F&B
- Retail
- Office



Talent platform to recapture values :

- Programmers
- Digital marketers
- Design/ Animation/ Video

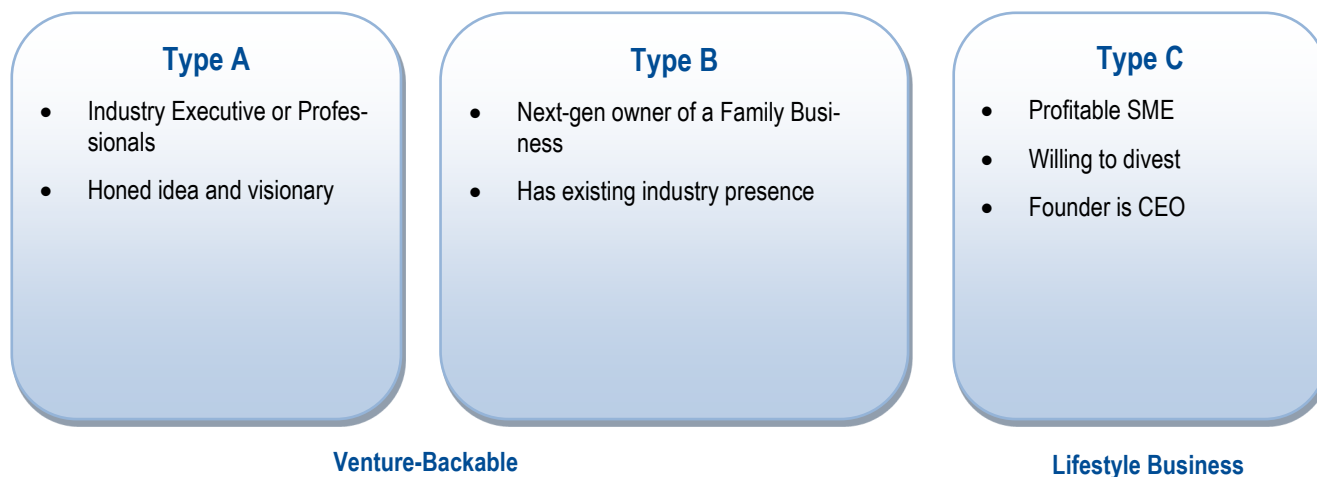
Software as a Service for work settings:

- Attendance
- Payroll

Source: Company Presentation, NHKSI Research

Growth Strategy

— Partner Criteria



Source: Company Presentation, NHKSI Research

Partner Type A

— Industry Executives

Step 1	Step 2	Step 3
<ul style="list-style-type: none"> Ideation Mockup Website Forecast Biz Plan 	<ul style="list-style-type: none"> Secure an operating partner Secure angel round at the same time as set up entity (eg: 25% WGSB, 50% Partner, 25% Angel) WGSB invoice and get paid for software and services 	<ul style="list-style-type: none"> Secure VC/PE funding Minimum funding USD 1 Mn out of USD 5 Mn post-money valuation (20% dilution) WGSB invoice for continuous agile Enjoy fair value positive adjustment

Pipeline: Cloud Kitchen, Creator Financing, Metaverse, NFT.

Source: Company Presentation, NHKSI Research

Partner Type B

— Next-Gen Family Business

Step 1	Step 2	Step 3
<ul style="list-style-type: none"> Ideation Website Forecast Biz Plan 	<ul style="list-style-type: none"> Develop software Minimum Viable Product (MVP) for presentation purposes Secure partner which also becomes initial investor (eg: 25% WGSB, 75% Partner) Cashflow: Investment from WGSB returns as Startup entity purchases software perpetual license. 	<ul style="list-style-type: none"> Secure VC/PE funding Minimum funding USD 1 Mn out of USD 5 Mn post-money valuation (20% dilution). WGSB invoice for continuous Agile Development & Managed Services (ADMS) Enjoy fair value positive adjustment

Pipeline: Brand Aggregator, Interior and Furniture.

Source: Company Presentation, NHKSI Research

Partner Type C

— Profitable SMEs

Step 1	Step 2	Step 3
<ul style="list-style-type: none"> Ideation Website Forecast Biz Plan 	<ul style="list-style-type: none"> Develop software Minimum Viable Product (MVP) Initially, work with partner under Revenue Share Model 	<ul style="list-style-type: none"> Secure VC/PE funding at minimum post-money valuation USD 5 Mn WGSB invoice to convert Revenue Share Model to Perpetual software license. Payables converted to shares (20% WGSB, 20% Investor, 60% Partner). Enjoy fair value positive adjustment.

Pipeline: Coffee Export, Edge Computing.

Source: Company Presentation, NHKSI Research

Management Background

Board of Commissioner

Ikin Wirawan

President Commissioner

Ikin Wirawan, aged 38 and an Indonesian citizen, has served as the Company's President Commissioner since 2016. He earned a Bachelor's degree majoring in Electrical Engineering and Computer Science at the University of California, United States of America in 2004

Work Experiences

2016-Present : President Commissioner, PT. Wira Global Solusi, Tbk
 2015-Present : Commissioner, PT. Walden Global Services
 2009-2015 : Director, PT. Walden Global Services
 2006-2009 : Director, CV. Kirana Tama

Erwin Senjaya Hartanto

Commissioner

Erwin Senjaya Hartanto, 30 years old and an Indonesian citizen, has served as the Company's Commissioner Perseroan since 2016. He earned a Diploma majoring in Banking & Science at the Monash College Singapore in 2011. He also achieved a Bachelor's degree in Banking & Science at the University of Monash Melbourne, Australia in 2012.

Work Experiences

2021-Present : Commissioner, PT. Sinar Pusaka Lestari
 2020-Present : Commissioner, PT. Pusaka Inti Graha
 2019-Present : Commissioner, PT. Pusaka Agro Pacific
 2016-Present : Commissioner, PT. Wira Global Solusi, Tbk
 2016-Present : Commissioner, PT. Dago Inti Graha
 2013-Present : Founder & President Director , PT. Pusaka Mas Persada

M. Fidelis Tedja Surya

Independent Commissioner

M. Fidelis Tedja Surya, aged 63 and an Indonesian citizen, took office as the Company's Commissioner Perseroan in 2021. He previously earned a Bachelor's degree in Civil Engineering at the University of London Imperial College in 1984.

Work Experiences

2021-Present : Independent Commissioner of the Company
 2019-Present : Commissioner, PT. Trans Hybrid Communication
 2012-2014 : Senior Advisor, PT. Indosat, Tbk
 2008-Present : President Director , PT. Primedia Armoekadata Internet
 2008-Present : Commissioner, PT. Lintas Media Danawa
 2009-2019 : President Director, PT. Trans Hybrid Communication
 1994-2000 : IT Consultant
 1992-1994 : Project Officer, PT. Maharani Propertindo
 1985-1992 : Director, PT. Surya Mahkota Industri

Management Background

Board of Director

Edwin

President Director

Edwin, aged 34 and an Indonesian citizen, has served as the Company's President Director since 2021. He earned a Bachelor's degree majoring in Marketing Management at the Maranatha University, Bandung in 2010.

Work Experiences

2021-Present : President Director of the Company
2021-Present : Director, PT. Tri Stuba Amiga
2020-Present : Director, PT. T-Files Indonesia
2015-2018 : PT. Percepatan Digital Nusantara
2014-Present : Director, PT. Pramana Mitra Gemilang
2013-2014 : Relationship Manager, PT. Bank Maybank Indonesia
2012-2013 : Relationship Manager, PT. Bank CIMB Niaga

Hendy Rusli

Director

Hendy Rusli, aged 35 and an Indonesian citizen, took office as the Company's Director since 2017. He earned a Bachelor's degree majoring in Painting at the Maranatha Christian University, Bandung, in 2009.

Work Experiences

2017-Present : Director of the Company
2016-2017 : VP of Marketing, PT. Walden Global Services
2015-2016 : Manager Hellomedia
2014-2015 : Marketing Officer, PT. Walden Global Services
2012-2014 : Owner Bon Appetit Catering

Pingadi Limajaya

Director

Pingadi Limajaya, aged 31 and an Indonesian citizen, has served as the Company's Director since 2021. He obtained his Bachelor's degree in Informatics Engineering at the Harapan Bangsa Institute of Technology in 2012.

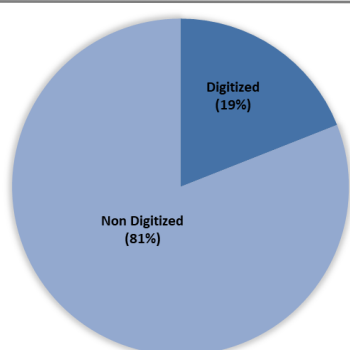
Work Experiences

2021-Present : Director of the Company
2016-Present : VP of Pre-sales, PT. Walden Global Services
2015-2015 : Technical Pre-Sales, PT. Walden Global Services
2013-2015 : Lead Developer, PT. Walden Global Services
2012-2013 : Developer, PT. Walden Global Services

Industry Outlook

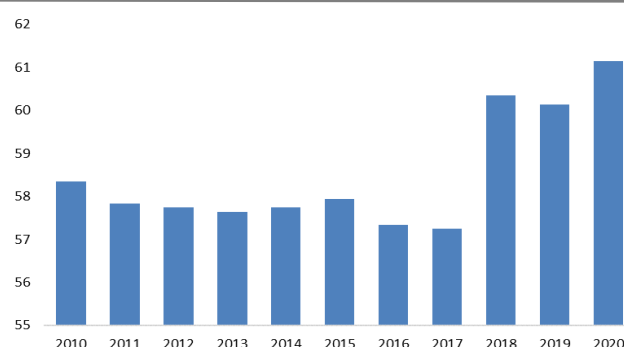
The Covid-19 pandemic has changed aspects of how to work, shop, and study, making many companies have to digitize their business. All sizes of business, ranging from large, medium, Small and Medium Enterprises (SMEs) or family companies must begin to carry out digital transformation. PT Wira Global Solusi Tbk (WGSB) as a company that provides information technology services and products, takes this positive opportunity. The high value of investment to transform from a conventional business to a digital business, makes it more challenging for most SMEs to adapt. Family companies or SMEs have difficulty competing with competitors in this digitalization segment. In fact, if we look at the top down analysis, the SME segment has a large contribution at more than 60% of the national Gross Domestic Product (GDP). SMEs have strategic opportunities, especially SMEs that are profitable, after they are supported by the provision of incentives by the government, such as from taxation to banking access. In addition to serving information technology products for SMEs, the Company has also begun to switch to a Venture Builder business model.

SME Digitized Portion



Source: Company Presentation, NHKSI Research

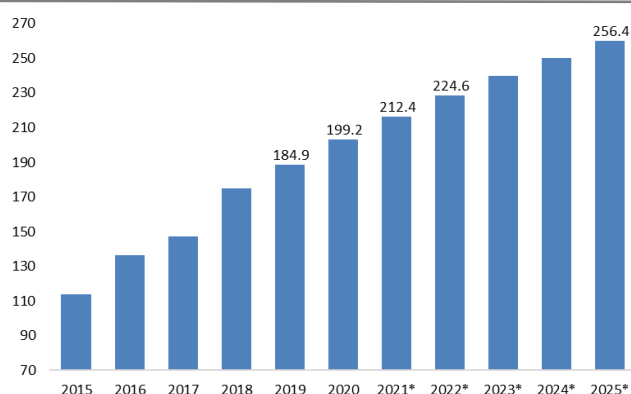
SME Contribution to GDP (%)



Source: Company Presentation, NHKSI Research

From the Company's perspective, the Venture Builder business has less risk than venture capital. Venture builders focus more on experienced human resources when compared to fundraising by venture capital. The venture builder will also handle administrative matters. To take advantage of this market, besides being a vendor providing products and services, WGSB also functions as a partner and can form a startup company. Therefore, WGSB's target market is large companies that already have experiences in the industry, family companies that have been passed on to the next generation, and SME companies that have made profit. In terms of capacity, WGSB is still relatively small. Until the 1H21 period, the Company recorded total assets of IDR 23.75 billion. Meanwhile, total liabilities and equity were IDR 2.32 billion and IDR 21.43 billion, respectively. However, with this capacity, it makes WGSB move more flexibly and quickly adapt to a number of fields, such as Food and Beverage (F&B). WGSB is also able to reach the latest technology such as Metaverse, supported by comprehensive HR, and support the WGSB group as a whole.

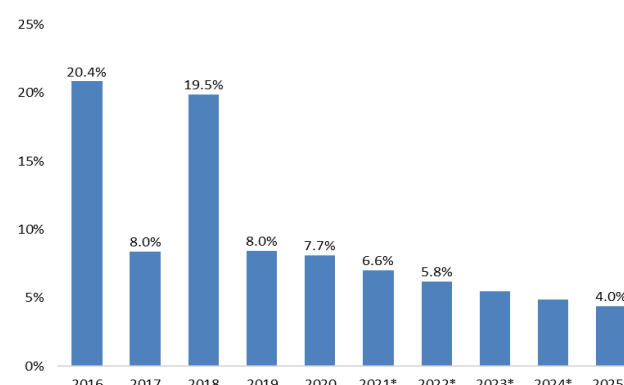
Number of Internet Users (in Mn)



Source: statista.com, NHKSI Research

*Forecast

Internet Users Growth



Source: statista.com, NHKSI Research

*Forecast

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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