

Wijaya Karya Tbk (WIKA)

Strategic Infrastructure Programs Encourage New Contracts

Up to 7M22, WIKA recorded a 22.6% YoY new contract growth to IDR14.7 Tn. Infra and Building segment has the largest contribution, up to 58.4%; followed by Industry, Energy & Industry Plant, and Realty & Property, each with 22.7%; 15.2% and 3.3%. Meanwhile, new contract growth is supported by strategic infrastructure development programs, and has the potential to increase along with IKN project auctions.

Records Investment Net Revenues

- WIKA's Gross Profit of IDR627.2 Bn (+14.7% YoY) was supported by Net Revenues of IDR7.2 Tn (+6.2% YoY), supported by the Infra and Building sector which grew by 1.9% YoY. Then, followed by Industry, and Realty and Property, which grew by 9.7% YoY and 167.6% YoY, respectively.
- Meanwhile, the significant growth of Net Revenues in Realty and Property is in line with the implementation of the BUMN hotel holding process by WIKA's subsidiary, WIKA Realty. Furthermore, WIKA recorded a Net Revenues Investment of IDR39.3 Bn in 1H22, although the Company did not record revenue for this segment in the same period the previous year.

Efficiency in Multiple Operating Expenses Segments

- WIKA managed to reduce Finance Cost to IDR1.3 Bn (-50.7% YoY) and General and Administrative Expenses IDR348.7 Bn (-6.4% YoY), and recorded Other Income IDR666.1 Bn (+62.1% YoY). However, WIKA's 1H22 period recorded Other Expenses worth IDR391 Bn, in line with the Impairment Loss for this period.
- This pushed Operating Income down 5.2% YoY to IDR552.2 Bn. Furthermore, WIKA recorded a Net Income of IDR12.4 Bn in 1H22, compared to the same period in the previous year of IDR136.1 Bn.
- Meanwhile, the decrease in Finance Costs is in line with WIKA's decision to reprofile high interest debt, as well as short-term debt, to mitigate risks in line with the upward trend in BI 7DRRR. WIKA also refinanced a number of debts into bonds and sukuk. Meanwhile, WIKA has a rising cost challenge for the high-speed rail project.

Maintains Buy Recommendation with Target Price IDR1,280

- NHKS Research maintains a Buy recommendation with a Target Price of IDR1,280 for the next 12-month period, based on the 13.8x forward P/E method. Our TP has a potential upside of up to 23.1% from the last price.
- Meanwhile, we continue to monitor the risk of achieving new contracts below the target, along with the potential for increases in construction costs and building materials, as well as loan interest rates. We also keep a close watch on the obstacles to land acquisition and relocation of the high-speed rail project, making the estimated cost increase.

Wijaya Karya Tbk | Summary

		2021A	2022F	2023F	2024F
Revenue		17,810	21,575	26,638	30,504
	Growth	7.7%	21.1%	23.5%	14.5%
Net Profit		118	834	1,095	1,218
	Growth	-36.7%	608.5%	31.3%	11.3%
EPS (IDR)		13	93	122	136
P/E		84.2x	13.8x	13.8x	10.5x
P/BV		0.6x	0.6x	0.7x	0.6x
EV/EBITDA		-302.0x	20.7x	13.5x	9.5x
ROE		0.7%	4.7%	5.7%	5.7%
DER		163%	171%	170%	182%
Dividen Yield		2.2%	2.2%	2.2%	2.2%

Unit: IDR bn, %, x

Source: Company Data, Bloomberg, NHKS Research

Please consider the rating criteria & important disclaimer

BUY

Target Price (IDR)	1,280
Consensus Price (IDR)	1,153
TP to Consensus Price	+11.0%
Potential Upside	+23.1%

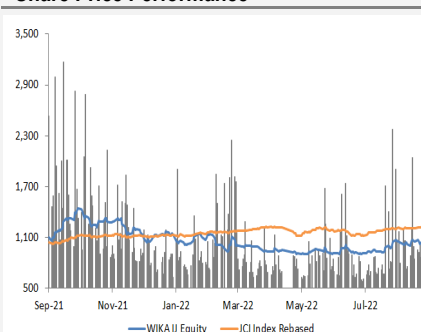
Shares data

Last Price (IDR)	1,040
Price Date as of	Sept. 12, 2022
52 wk Range (Hi/Lo)	1,470 / 885
Free Float (%)	34.9
Outstanding sh. (mn)	8,970
Market Cap. (IDR bn)	8,925
Market Cap. (USD mn)	621
Avg. Trd Vol - 3M (mn)	24.28
Avg. Trd Val - 3M (bn)	25.53
Foreign Ownership	6.9%

Infrastructure Construction

Bloomberg	WIKAIJ
Reuters	WIKAJK

Share Price Performance



	YTD	1M	3M	12M
Abs. Ret.	-6.3%	4.5%	7.3%	1.0%
Rel. Ret.	-16.4%	2.6%	6.4%	-18.4%

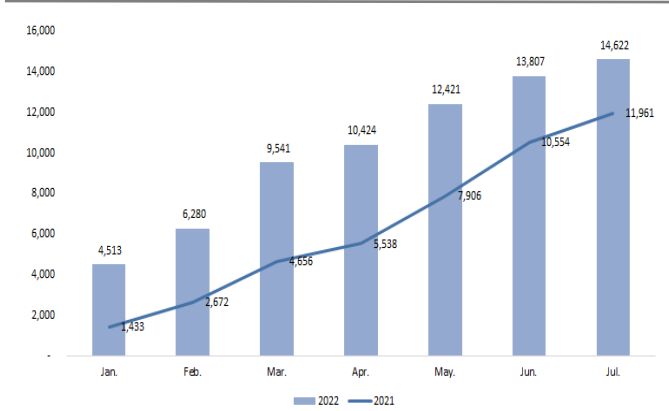
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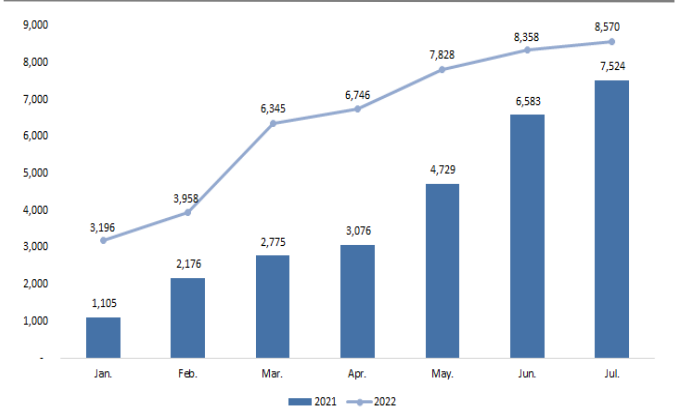
Performance Highlights in Charts

New Contract (IDR Bn)



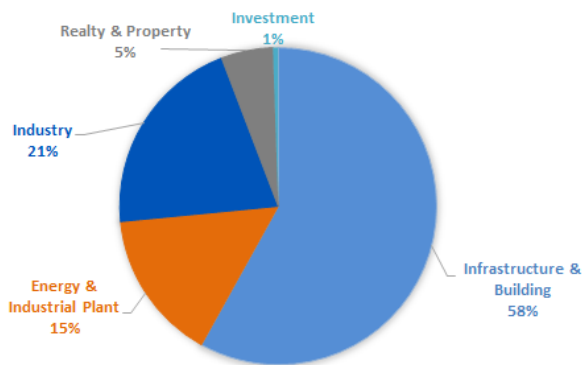
Source: Company Data, NHKSI Research

Infra. & Building New Contract (IDR Bn)



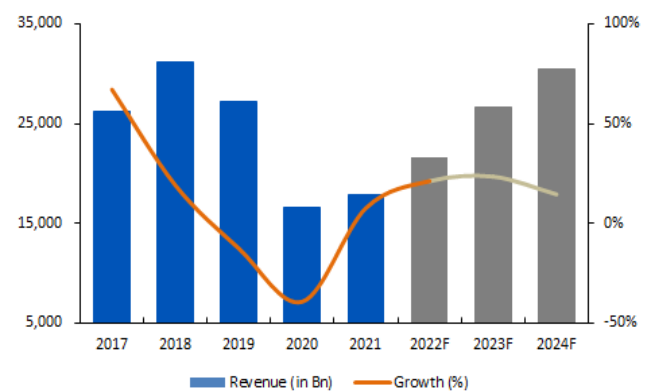
Source: Company Data, NHKSI Research

1H22's Revenue Breakdown



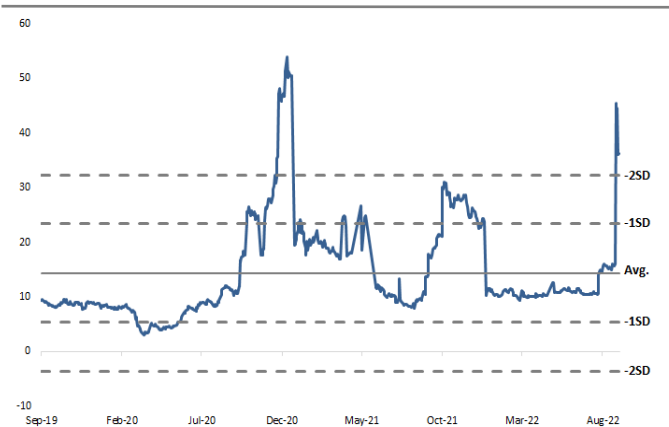
Source: Company Data, NHKSI Research

Yearly Revenue (IDR Bn) | FY17-FY21



Source: Company Data, NHKSI Research

P/E Ratio | Last 3-Years



Source: Company Data, NHKSI Research

EV/EBITDA Ratio | Last 3-Years



Source: Company Data, NHKSI Research

Summary of Financials

INCOME STATEMENT

In IDR bn	2021/12A	2022/12F	2023/12F	2024/12F
Revenue	17,810	21,575	26,638	30,504
Growth (% y/y)	7.7%	21.1%	23.5%	14.5%
Cost of Revenue	(16,115)	(19,426)	(23,676)	(26,828)
Gross Profit	1,695	2,149	2,962	3,676
Gross Margin	9.5%	10.0%	11.1%	12.1%
Operating Expenses	(2,252)	(1,250)	(1,170)	(915)
EBIT	(557)	899	1,792	2,761
EBIT Margin	-3.1%	4.2%	6.7%	9.1%
Depreciation	437	818	1,477	1,700
EBITDA	(121)	1,717	3,268	4,461
EBITDA Margin	-0.7%	8.0%	12.3%	14.6%
Interest Expenses	-	(1,081)	(1,274)	(2,502)
EBT	197	1,070	1,583	1,709
Income Tax	18	152	(174)	(197)
Minority Interest	(97)	(388)	(314)	(293)
Net Profit	118	834	1,095	1,218
Growth (% y/y)	-36.7%	608.5%	31.3%	11.3%
Net Profit Margin	0.7%	3.9%	4.1%	4.0%

PROFITABILITY & STABILITY

	2021/12A	2022/12F	2023/12F	2024/12F
ROE	0.7%	4.7%	5.7%	5.7%
ROA	0.2%	1.1%	1.3%	1.3%
Inventory Turnover	1.6x	1.6x	1.9x	2.0x
Receivables Turnover	8.0x	6.5x	5.5x	5.4x
Payables Turnover	1.2x	1.3x	2.0x	2.0x
Dividend Yield (%)	0.0%	0.0%	1.3%	2.1%
Payout Ratio (%)	0%	0%	24%	24%
DER	163%	171%	170%	182%
Net Gearing	127%	110%	118%	104%
Equity Ratio	25%	21%	24%	21%
Debt Ratio	41%	35%	41%	39%
Financial Leverage	359%	448%	406%	478%
Current Ratio	101%	103%	135%	121%
Quick Ratio	71%	77%	103%	91%
Par Value (IDR)	100	100	100	100
Total Shares (mn)	8,970	8,970	8,970	8,970
Share Price (IDR)	1,105	1,280	1,681	1,424
Market Cap (IDR tn)	9.9	11.5	15.1	12.8

BALANCE SHEET

In IDR bn	2021/12A	2022/12F	2023/12F	2024/12F
Cash	6,311	11,074	10,407	17,343
Receivables	2,267	4,472	5,162	6,037
Inventories	10,934	13,867	10,782	15,678
Total Current Assets	37,187	54,170	45,483	62,945
Net Fixed Assets	18,088	18,843	21,095	23,665
Other Non Current Assets	14,111	14,700	16,457	18,462
Total Non Current Assets	32,199	33,542	37,552	42,127
Total Assets	69,386	87,712	83,035	105,073
Payables	12,824	15,003	8,998	17,463
ST Debt	15,999	17,422	11,334	16,615
Total Current Liabilities	36,970	52,577	33,614	52,143
LT Debt	12,436	13,543	22,918	23,877
Total Liabilities	51,951	69,604	62,887	82,824
Capital Stock + APIC	7,452	7,452	7,452	7,452
Retained Earnings	4,457	5,228	6,122	7,078
Shareholders' Equity	17,435	18,108	20,148	22,249

VALUATION INDEX

	2021/12A	2022/12F	2023/12F	2024/12F
Price /Earnings	84.2x	13.8x	13.8x	10.5x
PE/EPS Growth	-2.3x	0.0x	0.4x	0.9x
Price /Book Value	0.6x	0.6x	0.7x	0.6x
EV/EBITDA	-302.0x	20.7x	13.5x	9.5x
EV (IDR bn)	36,425	35,497	44,194	42,338
Revenue CAGR (3-Yr)	-12.0%	-11.5%	-0.7%	22.6%
Net Profit CAGR (3-Yr)	-53.9%	-21.6%	-21.8%	87.2%
Basic EPS (IDR)	13	93	122	136
BVPS (IDR)	1,944	2,019	2,246	2,480
DPS (IDR)	-	-	22.30	29.29

OWNERSHIP

Shareholders	%
Republic of Indonesia	65.1
Norges Bank	1.8
Vanguard Group	1.2
Blackrock	0.9
Others	31.1
By Geography	%
Indonesia	92.9
United States	3.8
Norway	2.6
Others	7.1

CASH FLOW STATEMENT

In IDR bn	2021/12A	2022/12F	2023/12F	2024/12F
Operating Cash Flow	(5,453)	4,633	(2,284)	5,640
Investing Cash Flow	(3,818)	(2,239)	(2,615)	(5,828)
Financing Cash Flow	1,296	2,432	4,232	7,123
Net Changes in Cash	(7,975)	4,826	(667)	6,936

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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