

8 December 2023  
Building Construction, Equity

Price IDR. 85  
Target Price IDR. 95  
JKSE Index 7159.598



**Stock Code**  
**Bloomberg code** WEGE IJ  
**Market cap (IDR.bn)** 813.62  
**52-Week High (IDR)** 160  
**52-Week Low (IDR)** 82  
**6-m Avg Daily. Val (IDR)** 95  
**Free Float (%)** 30.00

**Major Shareholders (%)**  
WIKAR 69.30%  
KOKAR WIKAR 0.70%  
Public 30.00%

**USD/IDR-YE**  
2022A 15731  
2023F 15500

**Key Indicators**  
**2024F**  
**Total Debt/ Equity (x)** 1.33  
**Current ratio (x)** 1.66

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## Investment Consideration

### New contracts in 10M23 increased by +301%

Up to 10M23, WEGE secured a total of IDR 3.3 trillion new contracts, a significant increase compared to 1H23, IDR 826 billion. This growth was driven by a substantial contract from the IKN project, specifically the ASN residential contract worth IDR 1.63 trillion. The majority of the new contracts are still dominated by the government (85%) due to the lower risk. In terms of project ownership, WIKAR Group has a small share (0.04%), with 99.96% coming from external projects, showcasing WEGE's independence from WIKAR Group. Residential projects continue to dominate at 59.69%, mainly from IKN projects, followed by public facilities (25.69%), office (12.38%), and commercial (2.25%). Based on the 10M23 results, we have adjusted our target new contracts to IDR 4.92 trillion, down by -10% YoY. We estimate revenue growth in 2024F to be 20% CAGR compared to 2022A, with a new burn rate target of 18%.

### Bottom line decline

As of 9M23, WEGE's revenue increased +54% YoY, with 3Q23 up +94% YoY or +6% QoQ. However, the bottom line recorded a decline of -77% YoY, with 3Q23 down -87% YoY or -52% QoQ. The decline is mainly due to high COGS caused by delays in new contracts. Contracts acquired in 1H23 were postponed to 9M23. We have revised our net profit target for 2023-2024 down compared to 2022FY, anticipating contract delays in the election year, suppressing net profit. The next year's margin reduction can be attributed to increased costs and a decrease in the burn rate.

### Dhoho Airport project

The Dhoho airport project, a venture of PT Surya Dhoho Investama, a GGRM subsidiary, with PT Angkasa Pura 1 as its operator, involves WEGE in a landmark project worth IDR 1.87 trillion, targeted for completion by the end of November. Originally scheduled for 1Q23, the project's completion was postponed to November 24, 2023, due to design changes. WEGE's scope of work includes 22 buildings, such as the main building, ancillary structures, infrastructure facilities, and MEP work. As of November 15th, during a site visit, WEGE was engaged in the finishing stages of this project.

### Valuation: 11% upside

After adjustments from the 9M23 results, our new target price is set at IDR 95 per share, equivalent to a trading multiple of 5.75x PER. With an 11% upside, we revise our target to a HOLD recommendation.

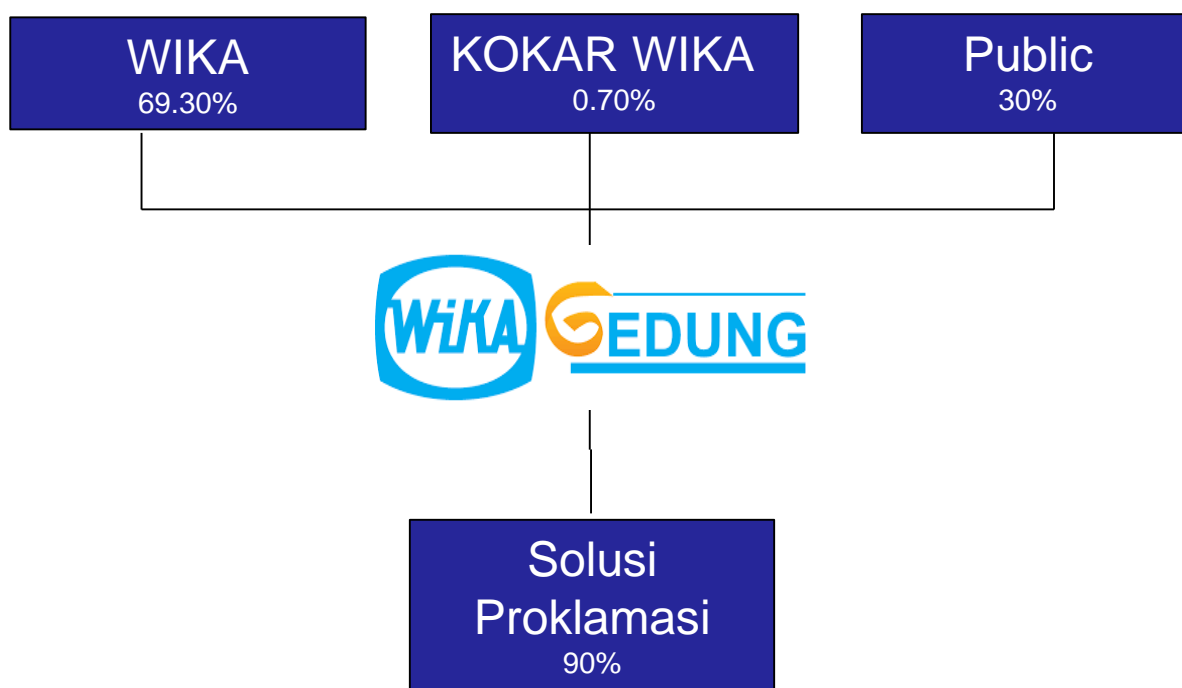
**Financial highlights**

Financial ratio highlights	2018A	2019A	2020A	2021A	2022A	2023F	2024F	2025F
Net profit growth (%)	50.66%	1.67%	-66.06%	39.53%	7.56%	-63.64%	88.00%	62.16%
NPM (%)	7.63%	9.89%	5.45%	6.75%	9.72%	2.69%	4.76%	6.57%
Current Ratio (X)	1.83	1.66	1.49	1.45	1.98	1.68	1.66	1.75
Total debt/ Total equity (x)	1.78	1.54	1.80	1.53	1.14	1.29	1.33	1.24
EPS	46.41	47.19	16.01	22.34	24.03	8.74	16.43	26.64

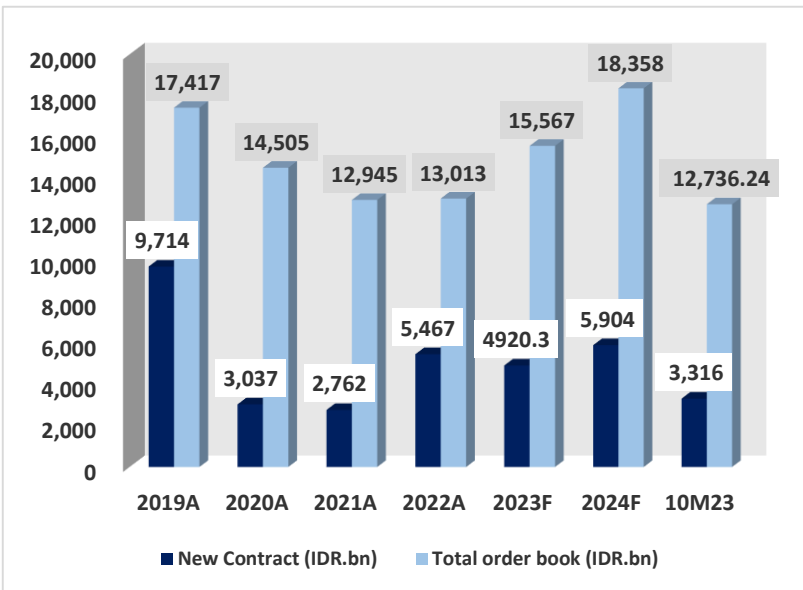
**Company Profile**

Established on October 24th, 2008, PT Wijaya Karya Bangunan Gedung Tbk (WEGE) is a subsidiary of PT Wijaya Karya (Persero) Tbk. Initially focused on private sector building construction, WEGE's scope covered mechanical, electrical, interior, and exterior work. Government and SOE construction were handled by DBG (Building Construction Division), a division of WIKA. WEGE entered the property sector in 2013 through joint operations. To further its growth, DBG merged into WEGE in February 2016, with WIKA concentrating on infrastructure. WEGE went public in November 2017, offering 2.872 million shares (30% of its total paid-up capital) through an IPO. Currently, WEGE operates in two segments: construction building services and investment & concessions.

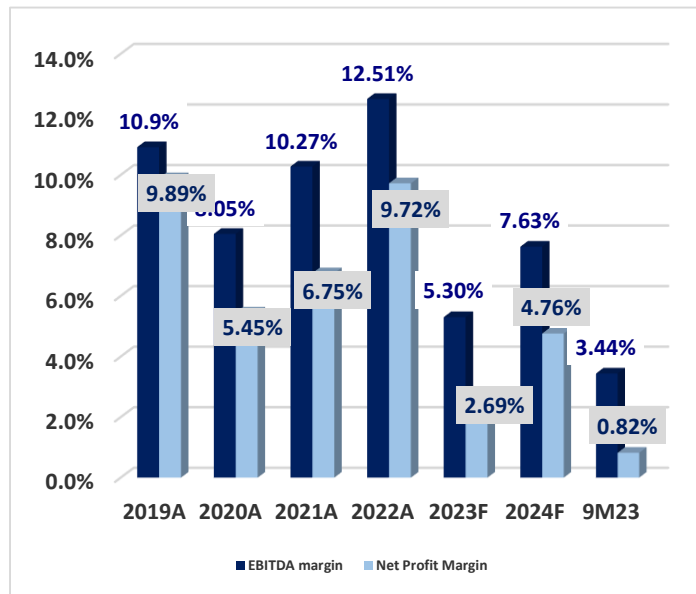
**Company Structure**



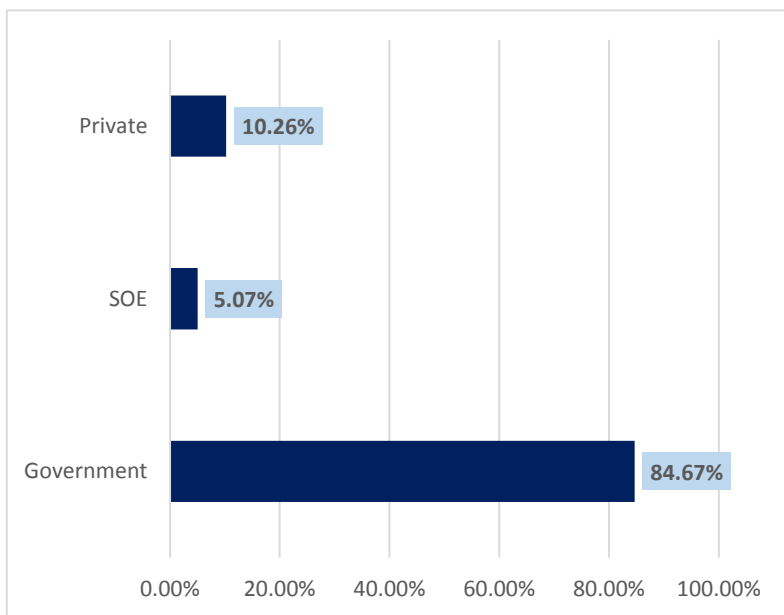
**Chart: Total order book vs new contract (IDR. In bn)**



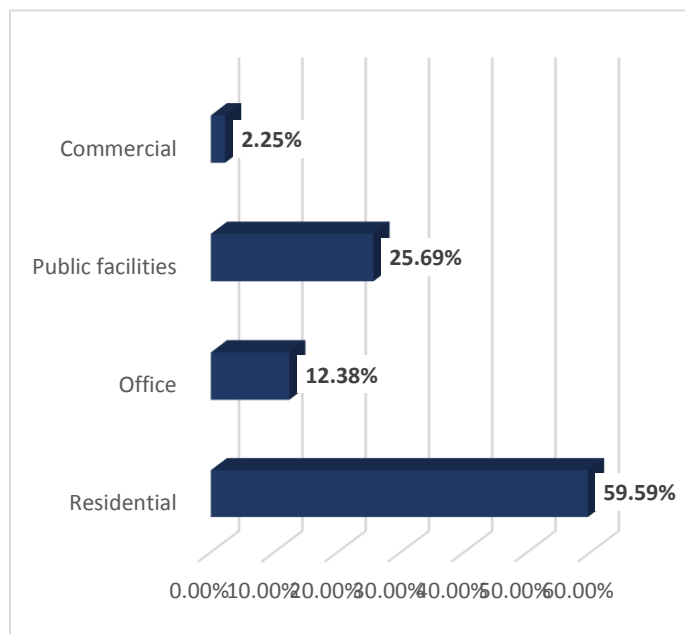
**Chart: Net profit margin and EBITDA margin (%) yoy**



**Chart: New contract based on project owner yoy (%) as of 10M23**



**Chart: New contract by segment as of 10M23**



**Profit and Loss**

<b>Profit and Loss (IDR. in bn)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
<b>Revenues</b>	<b>4,568</b>	<b>2,810</b>	<b>3,168</b>	<b>2,366</b>	<b>3,113</b>	<b>3,304</b>	<b>3,879</b>
Cost of Revenues	(4,102)	(2,598)	(2,898)	(2,138)	(2,927)	(3,040)	(3,491)
<b>Gross Profit</b>	<b>465</b>	<b>212</b>	<b>270</b>	<b>228</b>	<b>187</b>	<b>264</b>	<b>388</b>
Operating Expenses	(71)	(63)	(58)	(61)	(66)	(70)	(83)
<b>Operating Income</b>	<b>394</b>	<b>149</b>	<b>212</b>	<b>167</b>	<b>121</b>	<b>194</b>	<b>305</b>
Other Income	63	7	4	63	(35)	(35)	(48)
<b>Profit Before Tax</b>	<b>457</b>	<b>156</b>	<b>216</b>	<b>230</b>	<b>86</b>	<b>159</b>	<b>257</b>
Tax expense	(0)	0	(0)	0	0	0	0
EPS	47	16	22	24	9	16	27
<b>Net Income</b>	<b>452</b>	<b>153</b>	<b>214</b>	<b>230</b>	<b>84</b>	<b>157</b>	<b>255</b>
<b>EBITDA</b>	<b>499</b>	<b>226</b>	<b>326</b>	<b>296</b>	<b>165</b>	<b>252</b>	<b>366</b>

**Balance Sheet**

<b>Balance Sheet (IDR. in bn)</b>	<b>2019A</b>	<b>2020A</b>	<b>2021A</b>	<b>2022A</b>	<b>2023F</b>	<b>2024F</b>	<b>2025F</b>
Cash and cash equivalent	1,456	1,508	1,468	916	530	664	746
Trade Account Receivable	873	645	565	539	853	770	903
inventory	360	377	323	371	361	375	440
Other current asset	2,398	2,173	2,101	2,153	2,491	2,313	2,327
<b>Current Asset</b>	<b>5,087</b>	<b>4,703</b>	<b>4,457</b>	<b>3,980</b>	<b>4,234</b>	<b>4,121</b>	<b>4,416</b>
Fixed Asset	149	181	142	93	99	129	162
other long term asset	962	1,199	1,375	1,352	1,245	1,322	1,358
<b>Total non current Asset</b>	<b>1,110</b>	<b>1,379</b>	<b>1,517</b>	<b>1,445</b>	<b>1,344</b>	<b>1,451</b>	<b>1,519</b>
<b>Total Asset</b>	<b>6,197</b>	<b>6,082</b>	<b>5,974</b>	<b>5,424</b>	<b>5,578</b>	<b>5,572</b>	<b>5,936</b>
Trade Account Payable	1,875	2,122	2,007	1,050	1,450	1,539	1,594
Short Term bank loans	177	406	429	500	475	451	429
Other short term liabilities	1,006	636	626	457	592	496	504
<b>Total current liabilities</b>	<b>3,058</b>	<b>3,164</b>	<b>3,063</b>	<b>2,008</b>	<b>2,517</b>	<b>2,486</b>	<b>2,527</b>
long term liabilities	670	605	421	775	498	562	621
Bank Loan		106	101	94	99	104	109
employee benefits	10	12	7	8	10	11	13
<b>Total long term/ non current liabilities</b>	<b>680</b>	<b>723</b>	<b>529</b>	<b>877</b>	<b>607</b>	<b>676</b>	<b>742</b>
<b>Total Liabilities</b>	<b>3,738</b>	<b>3,887</b>	<b>3,592</b>	<b>2,884</b>	<b>3,124</b>	<b>3,162</b>	<b>3,269</b>
non controlling interest	30	33	35	2	30	29	31
<b>Total Equities</b>	<b>2,429</b>	<b>2,162</b>	<b>2,346</b>	<b>2,538</b>	<b>2,424</b>	<b>2,380</b>	<b>2,635</b>
<b>Total Liabilities &amp; Equity</b>	<b>6,197</b>	<b>6,082</b>	<b>5,974</b>	<b>5,424</b>	<b>5,578</b>	<b>5,572</b>	<b>5,936</b>

**Cash Flow (IDR. In bn)**

Cash Flow (IDR. in bn)	2018A	2019A	2020A	2021A	2022A	2023F	2024F	2025F
+ Net Income	444	452	153	214	230	84	157	255
+Depreciation	19	21	37	46	36	49	62	77
- Change in WC	(310)	55	542	105	(1,130)	(132)	216	(172)
<b>Cash From Operating Activities</b>	<b>154</b>	<b>529</b>	<b>733</b>	<b>364</b>	<b>(864)</b>	<b>1</b>	<b>435</b>	<b>160</b>
capex	(197)	(516)	(307)	(184)	37	51	(169)	(145)
<b>cash from investing activities</b>	<b>(197)</b>	<b>(516)</b>	<b>(307)</b>	<b>(184)</b>	<b>37</b>	<b>51</b>	<b>(169)</b>	<b>(145)</b>
long term liabilities	168	(199)	(65)	(184)	353	(277)	64	59
Bank Loan			106	(5)	(7)	5	5	5
other long term liabilities	(27)	5	2	(5)	1	3	1	2
Equity	(31)	(129)	(418)	(27)	(72)	(169)	(202)	2
<b>cash from financing activities</b>	<b>110</b>	<b>(322)</b>	<b>(375)</b>	<b>(221)</b>	<b>276</b>	<b>(439)</b>	<b>(133)</b>	<b>68</b>
Net Changes in Cash	67	(310)	52	(40)	(552)	(387)	134	82
<b>Beginning Balance</b>	<b>1,699</b>	<b>1,766</b>	<b>1,456</b>	<b>1,508</b>	<b>1,468</b>	<b>916</b>	<b>530</b>	<b>664</b>
<b>Ending balance</b>	<b>1,766</b>	<b>1,456</b>	<b>1,508</b>	<b>1,468</b>	<b>916</b>	<b>530</b>	<b>664</b>	<b>746</b>

**Financial Ratio Highlights**

Ratio highlights YoY	2018A	2019A	2020A	2021A	2022A	2023F	2024F	2025F
<b>Growth (%)</b>								
Revenues	49.32%	-21.55%	-38.48%	12.74%	-25.31%	31.58%	6.14%	17.38%
OP	27.24%	-23.96%	-62.26%	42.63%	-21.24%	-27.88%	60.97%	57.36%
EBITDA	43.00%	7.45%	-54.63%	43.88%	-9.08%	-44.23%	52.76%	45.33%
Net profit	50.66%	1.67%	-66.06%	39.53%	7.56%	-63.64%	88.00%	62.16%
EPS	-5.32%	1.67%	-66.06%	39.53%	7.56%	-63.64%	88.00%	62.16%
<b>Profitability (%)</b>								
Operating Margin	8.90%	8.63%	5.29%	6.70%	7.06%	3.87%	5.87%	7.87%
EBITDA margin	7.97%	10.92%	8.05%	10.27%	12.51%	5.30%	7.63%	9.45%
NET Profit margin	7.63%	9.89%	5.45%	6.75%	9.72%	2.69%	4.76%	6.57%
ROA	7.54%	7.29%	2.52%	3.58%	4.24%	1.50%	2.82%	4.30%
ROE	21.04%	18.59%	7.09%	9.12%	9.06%	3.45%	6.61%	9.68%
<b>Liquidity (x)</b>								
Current Ratio (X)	1.83	1.66	1.49	1.45	1.98	1.68	1.66	1.75
Cash Ratio	0.61	0.48	0.48	0.48	0.46	0.21	0.27	0.30
<b>Solvability (x)</b>								
Total debt/ Total equity (x)	1.78	1.54	1.80	1.53	1.14	1.29	1.33	1.24
Int. Coverage (x)	1053.47	22.40	4.81	3.41	7.77	2.88	5.13	7.98
Debt Ratio	0.64	0.60	0.64	0.60	0.53	0.56	0.57	0.55
<b>Per Share data (Rp)</b>								
EPS	46.41	47.19	16.01	22.34	24.03	8.74	16.43	26.64
BVS	220.55	253.76	225.86	245.10	265.13	253.23	248.65	275.29

Pictures of Site visit WEGE on Dhoho Airport project



**Stock Ratings:**

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

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