



BUY

31 August 2020
Construction, Equity

Price **IDR. 1240**
Target Price **IDR. 2100**
JKSE Index **5248,36**



Stock Code
Bloomberg code **WIKA IJ**
Market cap (IDR.bn) **11795**
52-Week High (IDR) **2330**
52-Week Low (IDR) **675**
6-m Avg Daily. Val (IDR) **2188**
Free Float (%) **34.95**

Major Shareholders (%)
Government RI **65.05%**
Public **34.95%**

USD/IDR-YE
2019A **13866**
2020F (Avg) **14854**

Key Indicators
Debt/ Equity (x) **2.34**
Current ratio (x) **1.06**

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Investment Consideration

Revised target

With the current conditions, WIKA has revised its new contract target to IDR. 21 trillion or down -68% from the initial target of IDR. 65 trillion. As of 1H20, WIKA has received total new contracts of IDR 3,42 trn which is 15,98% of their revised target of IDR. 21,38trn. Of the new contract 55,5% come from industry (mostly their subsidiaries), 34,9% from infrastructure and building, 9,1% from property, and 0,49% from energy & industrial plants. WIKA is expecting their 2020F revised new contracts will come from SOEs, 44,79%, private, 22,59%, Govt, 27,30%, and Overseas businesses, 5,31%. WIKA's top contracts already received include Harbourn Road Toll Road (Ancol – Pluit) 6,5 trn, Palu Coal Fire Power Plant 2,08 trn, Lhoksumawe Titan Singapore Cooking Oil Industry 2,04 trn, Serpong – Balaraja Toll Road 890 bn, Semarang – Demak toll road (27 km) 861,27 bn. This year growth will be slow but steady. As in our previous report, while this current condition, if it lasts longer, could affect WIKA's new contract, the company still has carry over contracts in the order book. Wika's focus for the 2nd semester of this year is to achieve its new net profit target by maximizing the progress of ongoing projects and accelerating the disbursement of receivables to boost cash flow.

Toll road progress

In 1H20, the progress of WIKA's large toll road projects is as follows: Cengkareng – Kunciran toll road worth IDR 2,48 trn has reached 86,11% completion. Serang – Panimbang toll road worth IDR. 3,31 trn has reached 65,90% completion. High Speed Railway Jakarta –Bandung with 4 stations and 1 depot worth IDR 15,68 trn has reached 51,47% completion.

Maintaining DER levels

Wika's Debt to Equity (DER) ratio for 2019 was 2.23x and has increased further in Q2 2020 to 2.70x as the equity has decreased by IDR 19.2 trn to IDR 16.2 trn. This decrease in equity is due to the impact of the implementation of PSAK 71, 72 and 73 which increased Impairment Loss Reserves (CKPN). WIKA is working to recover the impairment expenses and improve cash flow so as to reduce future dependence on bank loans. We estimate DER 2020 and 2021 to average 2.32

Valuation: 69% upside, BUY

Using a WACC of 9,6%, we have a target price within one year of IDR. 2100 or trading at 15,3x PER which gives significant potential upside, maintain BUY.

	Profit and Loss	(IDR.bn)	2016A	2017A	2018A	2019A	2020F	2021F
	Revenue		15.669	26.176	31.158	27.213	16.008	22.366
	Cost of revenues	(13.442)	(23.300)	(27.553)	(23.733)	(14.407)	(19.682)	
	Gross Profit		2.227	2.876	3.605	3.480	1.601	2.684
	Profit (Loss) JV		379	573	533	0	272	456
	Operating expense	(527)	(677)	(786)	214	(160)	(224)	
	Operating Profit		2.079	2.772	3.352	3.694	1.713	2.917
	Other income	(849)	(1.310)	(993)	(905)	(1.197)	(1.277)	
	taxes	(83)	(106)	(285)	(168)	(144)	(201)	
	Minority interest	(135)	(154)	(343)	(336)	(78)	(204)	
	Net Profit		1.012	1.202	1.730	2.285	293	1.234
	EPS		113	134	193	255	33	138
	EBITDA		1.898	2.445	3.623	4.194	2.033	3.527

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

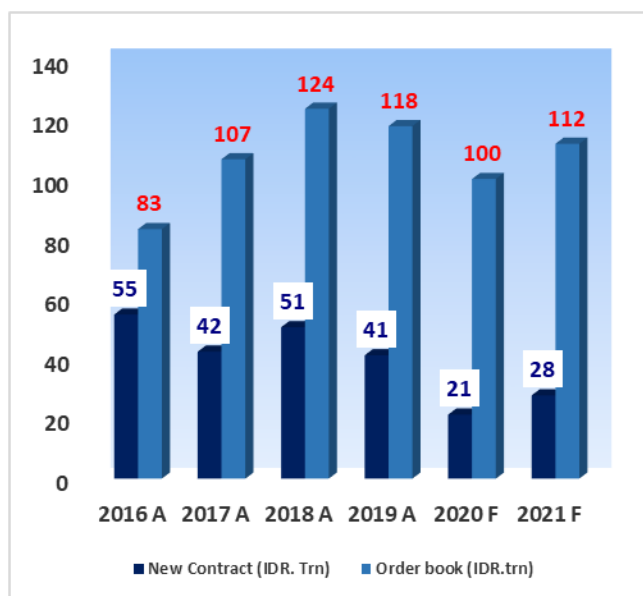


Chart: New contract based on project owner (%)

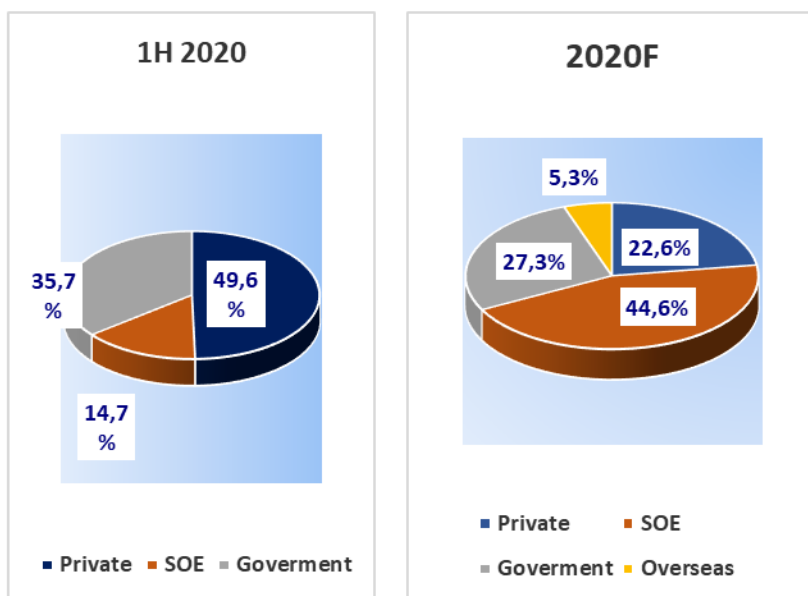


Chart: New contract based on business segment

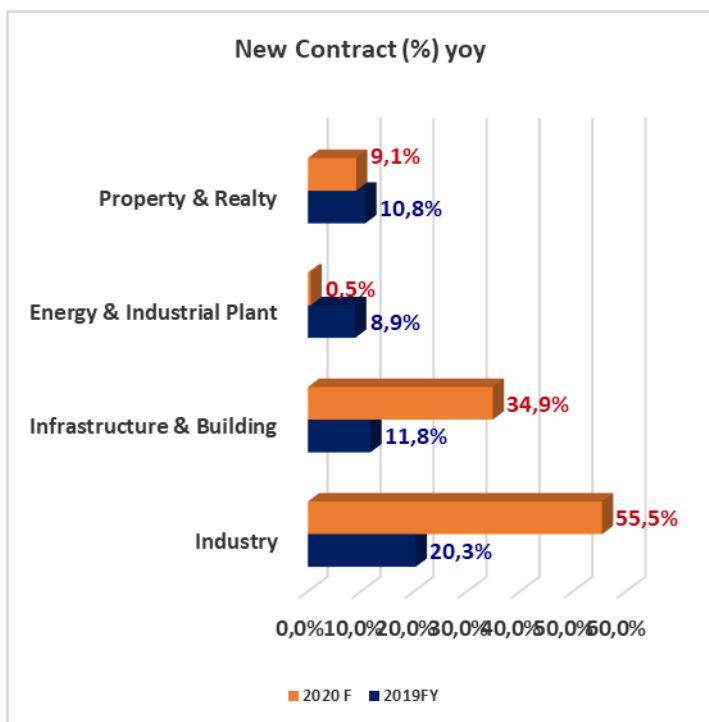
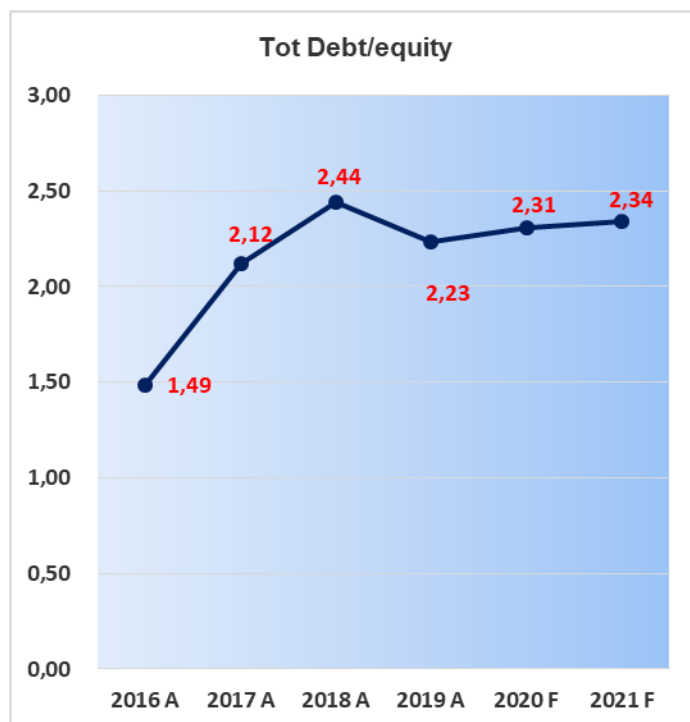


Chart: Total Debt to equity (x) yoy



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Balance Sheet (IDR.bn)

Balance sheet (IDR.in bn)	2016A	2017A	2018A	2019A	2020F	2021F
Current Asset						
Cash and cash equivalent	9270,00	11253,78	13973,77	10346,73	8525,24	8083,89
Trade Account Receivable	3751,10	4930,15	5350,84	4461,90	3947,26	5821,35
inventory	1247,71	1663,04	5978,53	6854,73	8289,24	8088,61
Other current asset	7283,69	17063,14	18252,36	20672,11	19209,98	22366,24
Current Asset	21.552,50	34.910	43.555	42.335	39.972	44.360
Non Current Asset						
Net Fixed Asset	3.465,84	3.932,11	4.675,68	5.154,53	5.526,73	5.870,89
other long term asset	111,55	242,40	697,61	1.022,51	960,50	1.118,31
LT investment and receivables	5.966,64	6.599,16	10.301,21	13.598,33	16.968,82	17.222,00
Total non current Asset	9.544,04	10.773,67	15.674,51	19.775,38	23.456,05	24.211,21
Total Asset	31.096,54	45.683,77	59.230,00	62.110,85	63.427,77	68.571,29
Current Liabilities						
AP	4.680,24	8.924,99	13.183,37	12.762,37	11.407,57	10.784,82
Short Term bank loans	4.711,83	6.423,85	4.200,03	1.220,56	11.273,63	13.273,63
Other Current liabilities	5.214,09	10.626,78	10.868,55	16.366,52	15.848,24	17.892,99
Total current liabilities	14.606,16	25.975,62	28.251,95	30.349,46	38.529,44	41.951,43
Non Current Liabilities						
Long term loans bank	313,81	1.011,21	2.793,91	1.373,42	0,00	0,00
MTN	975,00	1.000,00	6.084,62	7.351,87	1.763,42	2.763,42
Other Long term liabilities	2.702,85	3.065,12	4.884,21	3.820,36	4.002,08	3.354,94
Total long term/ non current liabilities	3.991,66	5.076,33	13.762,74	12.545,66	5.765,50	6.118,36
Total Liabilities	18.597,82	31.051,95	42.014,69	42.895,11	44.294,94	48.069,79
Total Equities	12.498,72	14.631,82	17.215,31	19.215,73	19.132,83	20.501,50
Total Liabilities and equity	31.096,54	45.683,77	59.230,00	62.110,85	63.427,77	68.571,29

Cashflow (IDR.bn)

Cash Flow (IDR.bn)	2016 A	2017 A	2018 A	2019 A	2020 F	2021 F
+ Net Income	1.012	1.202	1.730	2.285	293	1.234
+Depreciation	283	547	292	520	453	578
- Change in WC	1.726	-4	-3.649	-310	8.722	-1.408
Cash From Operating Activities	3.022	1.744	-1.627	2.496	9.469	404
capex (fixed asset)	-565	-1.013	-1.035	-999	-825	-922
Other non current asset	-2.220	-763	-4.157	-3.622	-3.308	-411
cash from investing activities	-2.785	-1.776	-5.193	-4.621	-4.134	-1.333
Long term loans bank	-357	697	1.783	-1.420	-1.373	0
Medium term loan	0	25	5.085	1.267	-5.588	1.000
Other Long term liabilities	782	362	1.819	-1.064	182	-647
Equity	6.049	931	853	-285	-376	135
cash from financing activities	6.474	2.016	9.540	-1.502	-7.156	487
Net Changes in Cash	6.710	1.984	2.720	-3.627	-1.821	-441
Beginning Balance	2.560	9.270	11.254	13.974	10.347	8.525
Ending balance	9.270	11.254	13.974	10.347	8.525	8.084

Ratio Highlights

Rasio Highlights	2016 A	2017 A	2018 A	2019 A	2020 F	2021 F
Growth (% YoY)						
Sales	15,04%	67,06%	19,03%	-12,66%	-41,17%	39,72%
OP	37,33%	33,35%	20,91%	10,21%	-53,64%	70,27%
EBITDA	8,98%	28,81%	48,17%	15,76%	-51,53%	73,50%
NP	61,88%	18,80%	43,94%	32,06%	-87,16%	320,59%
EPS	10,98%	18,80%	43,94%	32,06%	-87,16%	320,59%
Profitabilitas						
Operating Margin(%)	13,27%	10,59%	10,76%	13,58%	10,70%	13,04%
EBITDA margin(%)	12,12%	9,34%	11,63%	15,41%	12,70%	15,77%
NET Profit margin(%)	6,46%	4,59%	5,55%	8,40%	1,83%	5,52%
ROA(%)	3,25%	2,63%	2,92%	3,68%	0,46%	1,80%
ROE(%)	8,10%	8,22%	10,05%	11,89%	1,53%	6,02%
Liquiditas						
Current ratio (X)	1,48	1,34	1,54	1,39	1,04	1,06
cash ratio (x)	0,63	0,43	0,49	0,34	0,22	0,19
Stabilitas						
Tot Debt/ Equity	1,49	2,12	2,44	2,23	2,32	2,34
Per Share data (Rp)						
EPS	112,8	134,0	192,9	254,7	32,7	137,6
BVS	606	1.393	1.631	1.919	2.142	2.133

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.

**RESEARCH TEAM
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