

Investment Consideration

New contracts 60% of target

By November, WEGE new contracts reached IDR.4.24 trillion or 60% of the 2022F target of IDR. 7.1 trillion. Based on the project owner, new contracts as of Nov 2022 consist of Private 43.57%, Gov 32.86%, and SOE 23.56%. 67.08% of contracts were public facilities projects. WEGE's revenue in 3Q22 decreased by -31% QoQ and net profit was down by -22% QoQ. This is due to 1) a slowdown in the acquisition of new contracts, 2) slower progress on Carry-over projects from the private sector in the form of high rise apartments and offices, and 3) design changes to strategic projects such as airports in Kediri as a result of technical design requests from the operator, Angkasa Pura. Despite the slowdown in 3Q22's revenue, we expect WEGE will see a revenue increase next year because of the large carry-over contracts and future contracts. This means that we set a target of 18% CAGR revenue growth in 2023F compared to 2021A.

Margin to continue improvement

In 2023, WEGE is optimistic growth will return as their strategy is now to book contracts from government, state-owned, and private projects that have strong funding to reduce receivables. WEGE also targets projects that can use Precast and Modular to speed up the construction process. In addition, WEGE will also use new technologies such as BIM (Building Information Modeling) to improve their performance. With these strategies, we estimate WEGE's net profit margin in 2023 will continue to improve to 8.66%, which is much better compared to 2021A's 6.75%.

Construction of worker housing for the IKN project

WEGE joins ADHI in an operational cooperation project (KSO) that is accelerating the construction of a worker housing project in the "Ibu Kota Negara Nusantara" (IKN) by building 22 mini apartment towers. The IKN residential project for construction workers under WEGE, is at site 1A (4 towers), 1C (3 towers), and site 2 (5 towers) while ADHI is site 1B (10 towers). As of week 15, WEGE's 12 towers are currently 60% complete and January 20, 2023, is the target completion date. WEGE only needs to complete non-modular elements of the project or interior finishings such as bathrooms. During the process, WEGE uses its modular technology for as many as 1,748 modules or 2x more than in their Mandalika project. The modular size used is about 2.6 x 5.2 m2. We believe that going forward WEGE will have plenty more IKN work as a result of their technology advantage and by using precast and modular construction.

Valuation: significant upside

Based on our DCF and the 9M22 results, we revise our target price to IDR. 318/share or trading at 8x PER. With 102% upside, we retain our recommendation to BUY.

Financial ratio highlights	2018A	2019A	2020A	2021A	2022F	2023F
Net profit growth (%)	50.66%	1.67%	-66.06%	39.53%	-8.12%	93.40%
NPM (%)	7.63%	9.89%	5.45%	6.75%	7.15%	8.66%
Current Ratio (X)	1.83	1.66	1.49	1.45	1.58	1.39
Total debt/ Total equity (x)	1.78	1.54	1.80	1.53	1.53	1.85
EPS	46.41	47.19	16.01	22.34	20.53	39.71

15 Dec 2022
Building Construction, Equity

Price **IDR. 157**
Target Price **IDR. 318**
JKSE Index **6810.32**

Dipublikasikan pada TradingView.com, Des 13, 2022 17:27 UTC+7

WIJAYA KARYA BANGUNAN GEDUNG TBK, 10, IDX, 157 @ (0.00%)



TradingView

Stock Code
Bloomberg code **WEGE IJ**
Market cap (IDR.bn) **1500.00**
52-Week High (IDR) **210**
52-Week Low (IDR) **151**
6-m Avg Daily. Val (IDR) **192**
Free Float (%) **30.00**

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

USD/IDR-YE
2021A **14263**
2022F **15661**

Key Indicators 2022F
Total Debt/ Equity (x) **1.53**
Current ratio (x) **0.66**

Analyst: Revita Dhiah Anggrainy
revita.anggrainy@binaartha.com

Company Profile

PT Wijaya Karya Bangunan Gedung Tbk (WEGE) is a subsidiary of PT Wijaya Karya (Persero) Tbk and was established on October 24th, 2008. Initially WEGE focused on providing building construction services, particularly for private companies, with the scope of works covering mechanical and electrical work, as well as interior and exterior work, while the construction services for the government and SOEs were done by one of WIKA's divisions, DBG (Building Construction Division). The company officially entered into the property business in 2013 through joint operations between the company and land owners to develop and market the property together. To further grow the company, in February 2016, DBG was merged into WEGE, as WIKA focused on infrastructure while WEGE focused on building construction work. The Company went public by offering 2.872 million shares or 30% of its total paid up capital after IPO and was listed in November 2017. Currently, WEGE has 2 business segments, construction building services and investment & concessions.

Company Structure

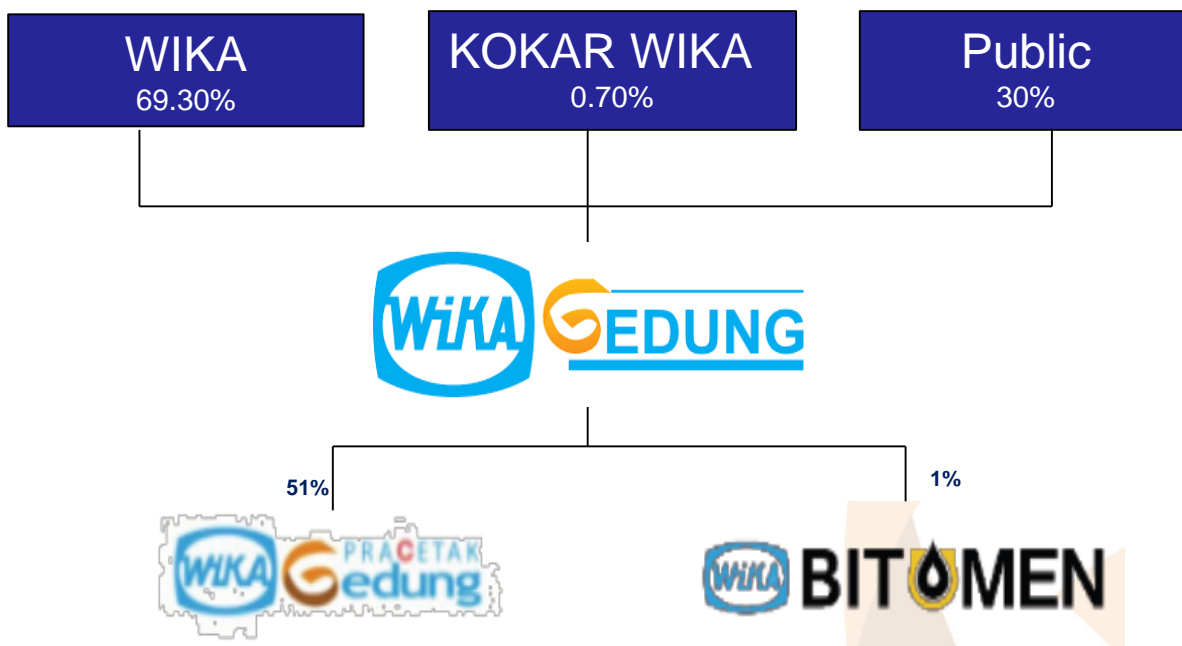


Chart: Total order book vs new contract (IDR. In bn)

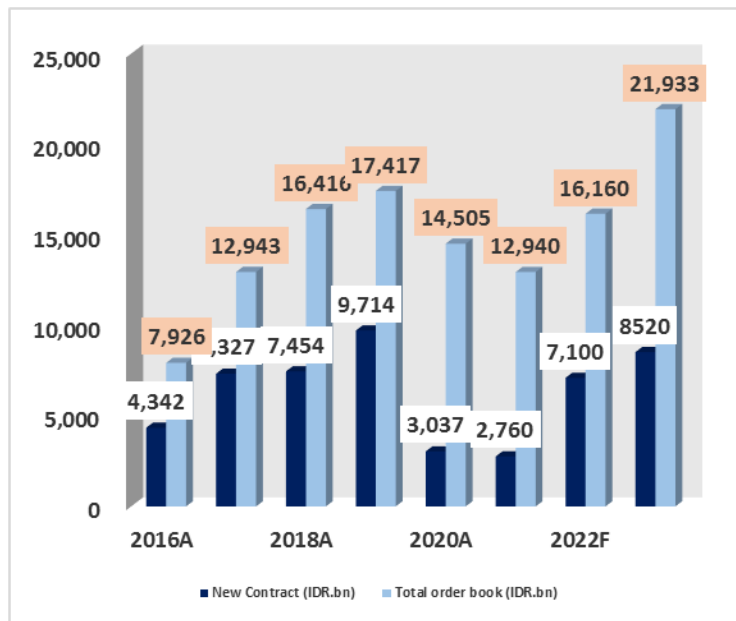


Chart: Net profit margin and EBITDA margin (%) yoy

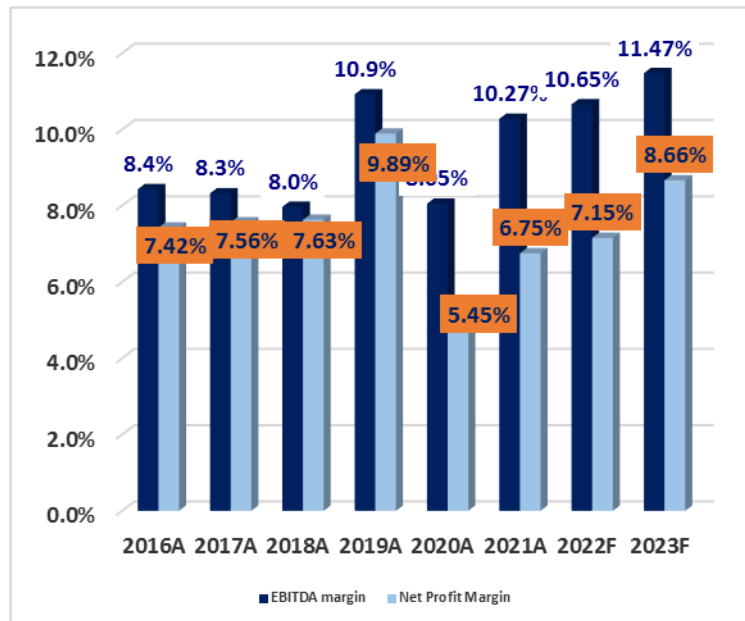


Chart: New contract based on project owner yoy (%)

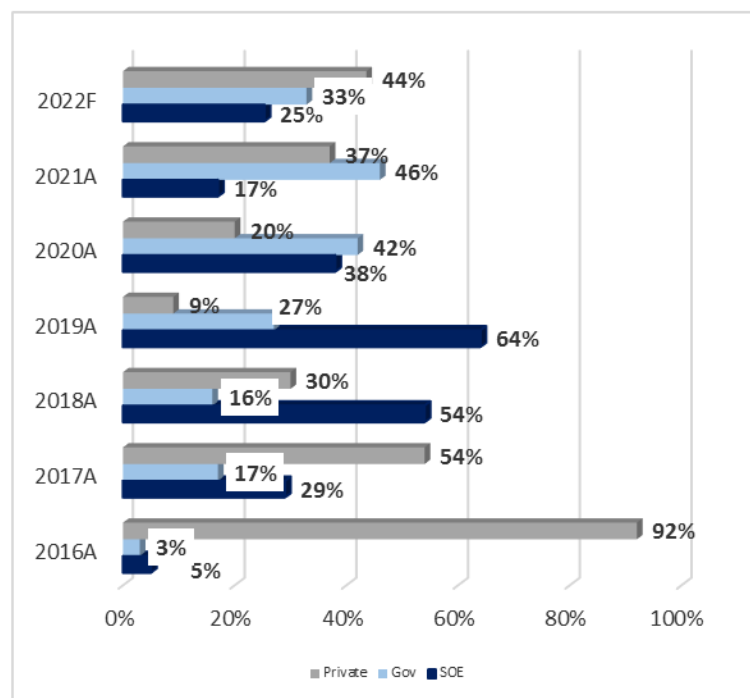
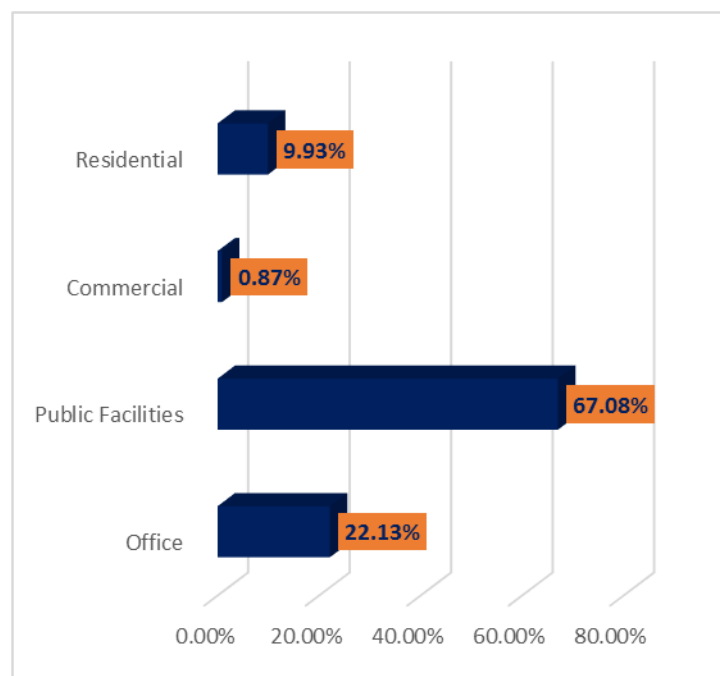
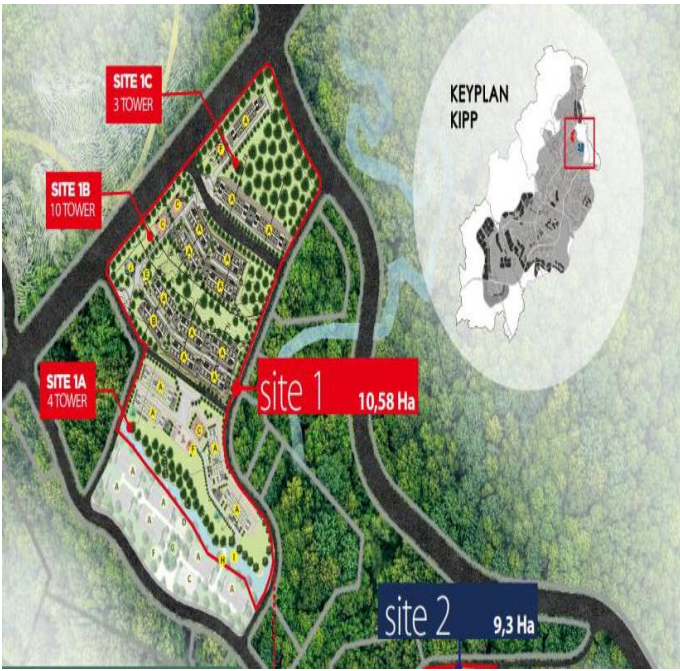


Chart: New contract by segment as of 2022



Picture of IKN project site



Profit and Loss

Profit and Loss (IDR. in bn)	2018A	2019A	2020A	2021A	2022F	2023F	2024F
Revenues	5,823	4,568	2,810	3,168	2,747	4,387	5,895
Cost of Revenues	(5,226)	(4,102)	(2,598)	(2,898)	(2,472)	(3,904)	(5,246)
Gross Profit	597	465	212	270	275	483	648
Operating Expenses	(78)	(71)	(63)	(58)	(49)	(77)	(104)
Operating Income	518	394	149	212	226	405	544
Other Income	(74)	63	7	4	(28)	(21)	(15)
Profit Before Tax	445	457	156	216	199	384	530
Tax expense	(0)	(0)	0	(0)	(0)	(0)	(0)
EPS	46	47	16	22	21	40	55
Net Income	444	452	153	214	197	380	524
EBITDA	464	499	226	326	293	503	686

Balance Sheet

Balance Sheet (IDR. in bn)	2018A	2019A	2020A	2021A	2022F	2023F	2024F
Cash and cash equivalent	1,766	1,456	1,508	1,468	1,945	1,251	1,101
Trade Account Receivable	979	873	645	565	602	841	1,147
inventory	299	360	377	323	305	481	647
Other current asset	2,231	2,398	2,173	2,101	1,841	2,632	3,419
Current Asset	5,275	5,087	4,703	4,457	4,692	5,205	6,313
Fixed Asset	86	149	181	142	223	311	426
other long term asset	530	962	1,199	1,375	1,099	1,535	2,063
Total non current Asset	616	1,110	1,379	1,517	1,322	1,846	2,490
Total Asset	5,890	6,197	6,082	5,974	6,015	7,052	8,803
Trade Account Payable	2,032	1,875	2,122	2,007	2,032	2,644	3,715
Short Term bank loans	0	177	406	429	408	387	368
Other short term liabilities	848	1,006	636	626	522	702	943
Total current liabilities	2,880	3,058	3,164	3,063	2,962	3,733	5,026
long term liabilities	869	670	605	421	549	702	1,002
Bank Loan			106	101	106	111	117
employee benefits	4	10	12	7	6	10	13
Total long term/ non current liabilities	873	680	723	529	662	823	1,132
Total Liabilities	3,753	3,738	3,887	3,592	3,623	4,556	6,158
non controlling interest	26	30	33	35	28	35	46
Total Equities	2,111	2,429	2,162	2,346	2,363	2,461	2,599
Total Liabilities & Equity	5,890	6,197	6,082	5,974	6,015	7,052	8,803

Cash Flow (IDR. In bn)

Cash Flow (IDR. in bn)	2018A	2019A	2020A	2021A	2022F	2023F	2024F
+ Net Income	444	452	153	214	197	380	524
+Depreciation	19	21	37	46	64	86	115
- Change in WC	(310)	55	542	105	140	(436)	35
Cash From Operating Activities	154	529	733	364	401	30	674
capex	(197)	(516)	(307)	(184)	131	(610)	(758)
cash from investing activities	(197)	(516)	(307)	(184)	131	(610)	(758)
long term liabilities	168	(199)	(65)	(184)	128	152	300
Bank Loan			106	(5)	5	5	6
other long term liabilities	(27)	5	2	(5)	(1)	4	3
Equity	(31)	(129)	(418)	(27)	(187)	(275)	(375)
cash from financing activities	110	(322)	(375)	(221)	(55)	(114)	(66)
Net Changes in Cash	67	(310)	52	(40)	477	(694)	(150)
Beginning Balance	1,699	1,766	1,456	1,508	1,468	1,945	1,251
Ending balance	1,766	1,456	1,508	1,468	1,945	1,251	1,101

Financial Ratio Highlights

Ratio highlights YoY	2018A	2019A	2020A	2021A	2022F	2023F
Growth (%)						
Revenues	49.32%	-21.55%	-38.48%	12.74%	-13.29%	59.67%
OP	27.24%	-23.96%	-62.26%	42.63%	6.60%	79.07%
EBITDA	43.00%	7.45%	-54.63%	43.88%	-10.08%	71.96%
Net profit	50.66%	1.67%	-66.06%	39.53%	-8.12%	93.40%
EPS	-5.32%	1.67%	-66.06%	39.53%	-8.12%	93.40%
Profitability (%)						
Operating Margin	8.90%	8.63%	5.29%	6.70%	8.23%	9.23%
EBITDA margin	7.97%	10.92%	8.05%	10.27%	10.65%	11.47%
NET Profit margin	7.63%	9.89%	5.45%	6.75%	7.15%	8.66%
ROA	7.54%	7.29%	2.52%	3.58%	3.27%	5.39%
ROE	21.04%	18.59%	7.09%	9.12%	8.32%	15.44%
Liquidity (x)						
Current Ratio (X)	1.83	1.66	1.49	1.45	1.58	1.39
Cash Ratio	0.61	0.48	0.48	0.48	0.66	0.34
Solvability (x)						
Total debt/ Total equity (x)	1.78	1.54	1.80	1.53	1.53	1.85
Int. Coverage (x)	1053.47	22.40	4.81	3.41	6.70	11.50
Debt Ratio	0.64	0.60	0.64	0.60	0.60	0.65

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
(62-21) 520-6678 ext.612

Disclaimer; PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha and its analyst take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.