

24 March 2020
Building Construction, Equity

Price IDR. 133
Target Price IDR. 380
JKSE Index 3989.517



Stock Code
Bloomberg code WEGE IJ
Market cap (IDR.bn) 1273.1
52-Week High (IDR) 434
52-Week Low (IDR) 122
6-m Avg Daily. Val (IDR) 284
Free Float (%) 30.00

Major Shareholders (%)
WIKA 69.30%
KOKAR WIKA 0.70%
Public 30.00%

USD/IDR-YE
2019A 14243
2020F 16575

Key Indicators
2020F
Total Debt/ Equity (x) 1,89
Current ratio (x) 1.46

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Investment Consideration

Huge contract growth

WEGE is targeting new contracts in 2020F to grow 54% to IDR 14.9 trn compared to IDR 9.7 trn in 2019A with 75% contributed by the Government and SOE projects. 2019's new contracts decreased from an initial target of IDR 11 trn due to IDR 2.3 trn of write offs from private projects. Despite the lower than expected contracts, cash payments from Government and SOE contracts boosted operating cash flow from IDR 108 bn in 3Q19 to IDR 1.49 trn in the 4Q. Both of these efforts are designed to help mitigate any risk from implementation of the new IFRS 9 accounting treatment starting this year

As of 2019FY, the customer profile of WEGE's contracts was dominated by SOE (64%), followed by Government (27%) and private (9%). The targeted 2020 customer profile is Government (42%), SOE (38%) and Private (20%). Carry over projects were also dominated by Government and SOEs such as the Jakarta International Stadium and Taman Ismail Marzuki (TIM) revitalization. We believe WEGE will be able to maintain sales growth in 2020 due to the improved repeat order contracts and several large new contracts.

As of March 2020, WEGE has received new contracts of IDR 256 billion consisting of Construction such as BI Palangkaraya IDR 182 bn and Mandiri Denpasar IDR 68.82 bn, Concession contracts IDR 0.29bn, Modular contracts worth IDR 1.89 bn and WIKA Pracetak Gedung worth IDR 3.8bn. In addition, WEGE has received an additional new contract for hospitals in Galangan in connection with the Corona virus of around IDR 50 – 100 bn. In terms of Corona virus impact, WEGE has see. no impact on their projects at this time

Valuation: Significant upside

After some adjustments due to the 2019 results and new IFRS implementation, we have a new one-year target price of IDR380/share, which is equal to a PER of 7.08x. With significant upside potential, our recommendation remains BUY.

Profit and Loss (IDR. in bn)	2017A	2018A	2019A	2020F	2021F
Revenues	3.899	5.823	4.568	7.168	9.614
Cost of Revenues	(3.436)	(5.226)	(4.102)	(6.380)	(8.652)
Gross Profit	464	597	465	789	961
Operating Expenses	(56)	(78)	(71)	(127)	(170)
Operating Income	407	518	394	662	792
Other Income	(112)	(74)	63	(140)	(179)
Profit Before Tax	296	445	457	522	613
Tax expense	0	(0)	(0)	(0)	(1)
EPS	49	46	47	54	64
Net Income	295	444	452	520	610
EBITDA	325	464	499	581	671

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 i.e 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 capacity of 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

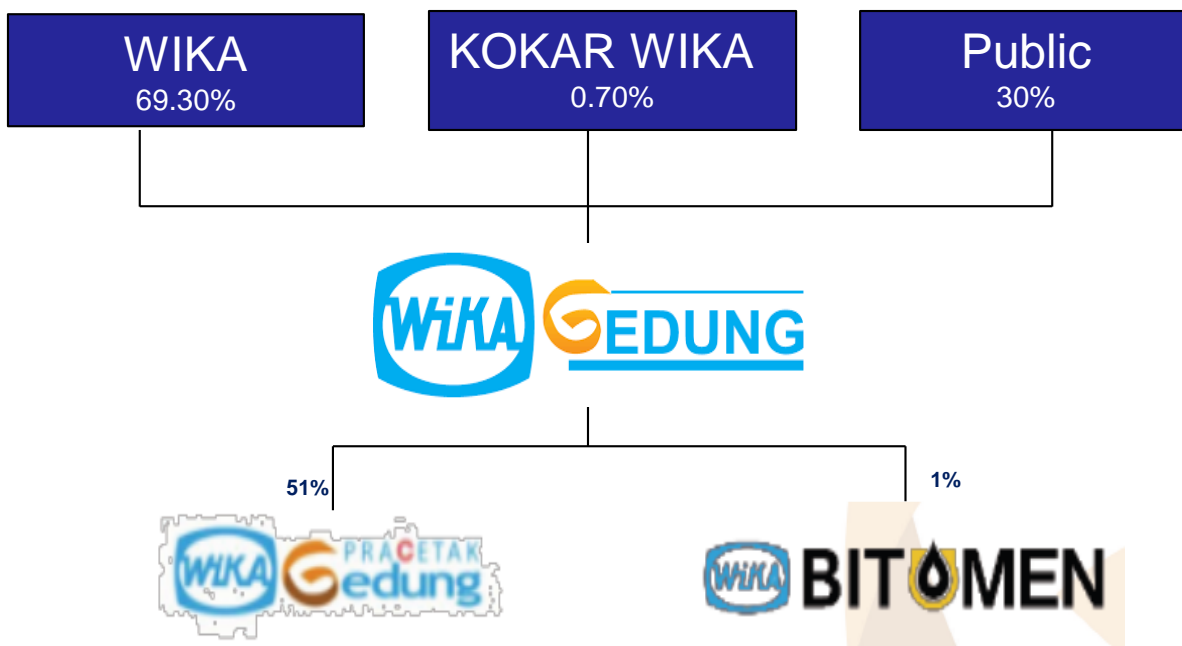


Chart: Total order book vs new contract (IDR. In bn)

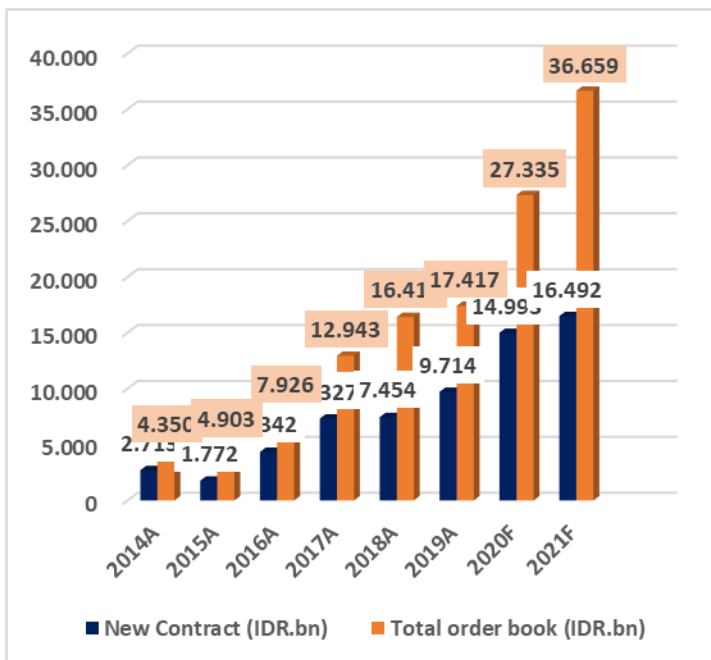


Chart: Net profit margin and EBITDA margin (%) yoy

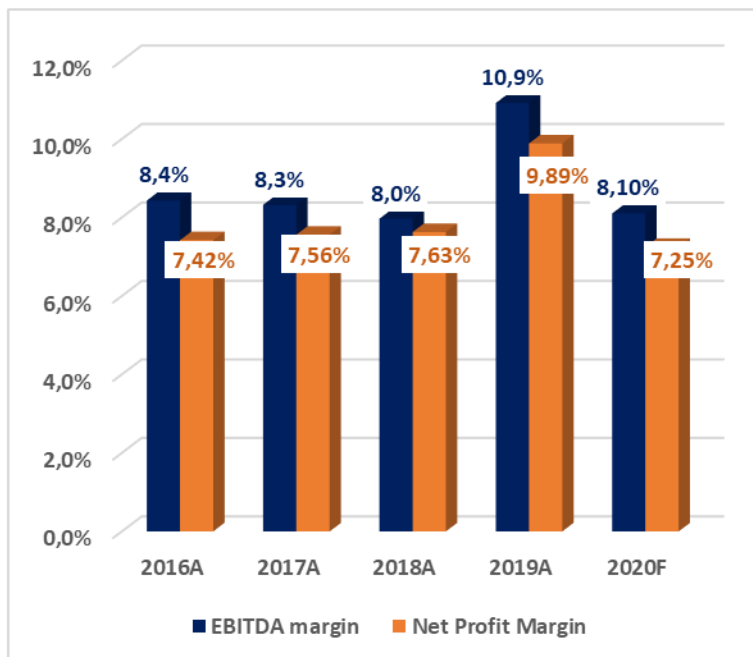


Chart: New contract based on customer profile yoy (%)

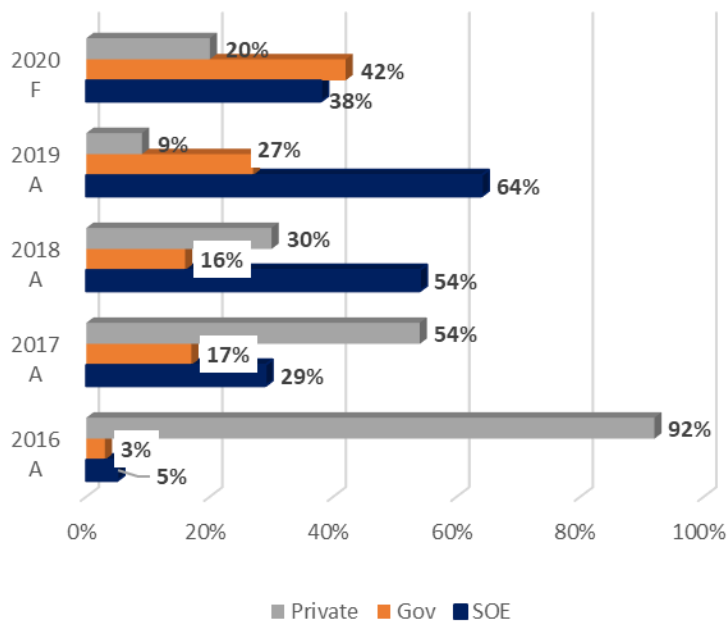
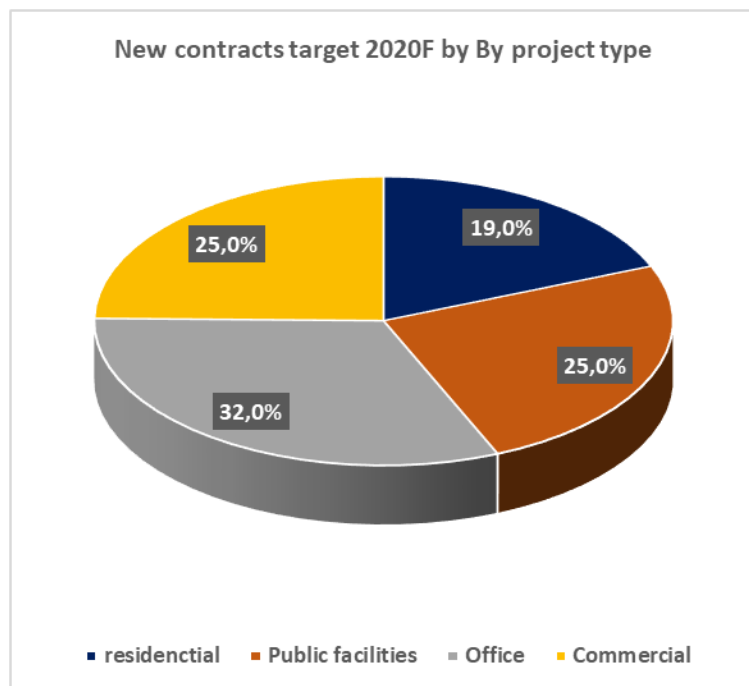


Chart: 2020F's New contract based on project type (%)



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Balance Sheet (IDR. In bn)

Balance Sheet (IDR. in bn)	2017A	2018A	2019A	2020F	2021F
Cash and cash equivalent	1.699	1.766	1.456	1.525	1.574
Trade Account Receivable	944	979	873	1.080	1.317
inventory	322	299	360	437	593
Other current asset	1.205	2.231	2.398	2.509	2.884
Current Asset	4.170	5.275	5.087	5.551	6.368
Fixed Asset	64	86	149	205	283
other long term asset	374	530	962	1.649	2.211
Total non current Asset	438	616	1.110	1.854	2.494
Total Asset	4.608	5.890	6.197	7.405	8.861
Trade Account Payable	713	2.032	1.875	2.160	2.634
Short Term bank loans	613	0	177	200	200
Other short term liabilities	825	848	1.006	1.434	1.923
Total current liabilities	2.152	2.880	3.058	3.794	4.757
long term liabilities	701	869	670	1.004	1.346
employee benefits	31	4	10	15	20
Total long term/ non current liabilities	732	873	680	1.019	1.366
Total Liabilities	2.884	3.753	3.738	4.813	6.123
non controlling interest	25	26	30	50	59
Total Equities	1.698	2.111	2.429	2.543	2.680
Total Liabilities & Equity	4.608	5.890	6.197	7.405	8.861

Cash Flow (IDR. In bn)

Cash Flow (IDR. in bn)	2017A	2018A	2019A	2020F	2021F
+ Net Income	295	444	452	520	610
+Depreciation	13	19	21	30	41
- Change in WC	312	-310	55	341	195
Cash From Operating Activities	620	154	529	890	846
capex	-105	-197	-516	-773	-681
cash from investing activities	-105	-197	-516	-773	-681
long term liabilities	249	168	-199	333	342
other long term liabilities	12	-27	5	6	5
Equity	784	-31	-129	-387	-464
cash from financing activities	1.045	110	-322	-48	-116
Net Changes in Cash	1.559	67	-310	69	49
Beginning Balance	139	1.699	1.766	1.456	1.525
Ending balance	1.699	1.766	1.456	1.525	1.574

Ratio Highlights

Growth (% YoY)	2017A	2018A	2019A	2020F	2021F
Revenues	102,09%	49,32%	-21,55%	56,94%	34,11%
OP	108,24%	27,24%	-23,96%	67,92%	19,59%
EBITDA	99,52%	43,00%	7,45%	16,51%	15,47%
Net profit	105,88%	50,66%	1,67%	15,06%	17,38%
EPS	98,50%	-5,32%	1,67%	15,06%	17,38%
Profitability (%)					
Operating Margin	10,45%	8,90%	8,63%	9,23%	8,23%
EBITDA margin	8,32%	7,97%	10,92%	8,10%	6,98%
NET Profit margin	7,56%	7,63%	9,89%	7,25%	6,35%
ROA	6,40%	7,54%	7,29%	7,02%	6,88%
ROE	17,36%	21,04%	18,59%	20,44%	22,76%
Liquidity (x)					
Current Ratio (X)	1,94	1,83	1,66	1,46	1,34
Cash Ratio	0,79	0,61	0,48	0,40	0,33
Solvability (x)					
Total debt/ Total equity (x)	1,70	1,78	1,54	1,89	2,28
Int. Coverage (x)	19,24	1053,47	22,40	17,53	34,91
Debt Ratio	0,63	0,64	0,60	0,65	0,69
Per Share data (Rp)					
EPS	49,02	46,41	47,19	54,29	63,73
BVS	282,33	220,55	253,76	265,64	279,99

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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