

Investment Consideration

Targeting 157% YoY new contract growth

WEGE is targeting new contracts for 2022 of IDR 7.1 trillion, significantly higher, +157%, than last year. The increase is due to the postponement of new contracts from 2021 such as Public Facilities contracts, Educational Facilities, and Office projects from SOEs. Most of the expected new contract targets are SOE and Government projects, with Government representing 53,62%; SOEs 32.58%; and Private companies 13.79%. The composition shows that WEGE is continuing to focus on projects which have strong funding. As of 2021FY, based on project segment, contracts are 41% public facilities, 37% commercial, 18% residential and 4% office. With carryover contracts of IDR 9.06 trillion from last year, and new contracts ahead, we expect WEGE will see a revenue increase this year compared to last year and we target CAGR revenue growth in 2022F compared to 2020A of 17% with an increased burn rate compared to 2020A's 19%.

Margin to increase

In 2022, 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 which can use Precast, and Modular to accelerate the construction process. In addition WEGE will also use new technologies such as BIM (Building Information Modeling) to improve performance. With these strategies, we estimate wege's net profit margin in 2022 will continue to improve to 7.95%, which is much better compared to 2020A's 5.45%.

Valuation: 66% upside

Based on DCF, with a WACC of 12,5%, we revise our target price to IDR. 290/share or trading at 9,06x PER. With 66% upside, we retain our recommendation to BUY.

Profit and Loss (IDR. in bn)	2018A	2019A	2020A	2021F	2022F	2023F
Revenues	5.823	4.568	2.810	3.106	3.878	5.333
Cost of Revenues	(5.226)	(4.102)	(2.598)	(2.795)	(3.452)	(4.747)
Gross Profit	597	465	212	311	427	587
Operating Expenses	(78)	(71)	(63)	(66)	(83)	(114)
Operating Income	518	394	149	244	344	473
Other Income	(74)	63	7	(9)	(33)	(13)
Profit Before Tax	445	457	156	235	311	460
Tax expense	(0)	(0)	0	0	0	0
EPS	46	47	16	24	32	48
Net Income	444	452	153	234	308	456
EBITDA	464	499	226	313	405	595

2 February 2022
Building Construction, Equity

Price **IDR. 175**
Target Price **IDR. 290**
JKSE Index **6633.600**

Published on TradingView.com, Jan 28, 2022 02:59 UTC



Stock Code
Bloomberg code
Market cap (IDR.bn)
52-Week High (IDR)
52-Week Low (IDR)
6-m Avg Daily. Val (IDR)
Free Float (%)

WEGE IJ
1713,4
258
166
192
30.00

Major Shareholders (%)
WIKAGEDUNG
KOKAR WIKAGEDUNG
Public

69.30%
0.70%
30.00%

USD/IDR-YE
2021A
2022F

14263
14350

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

2.24
1.33

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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

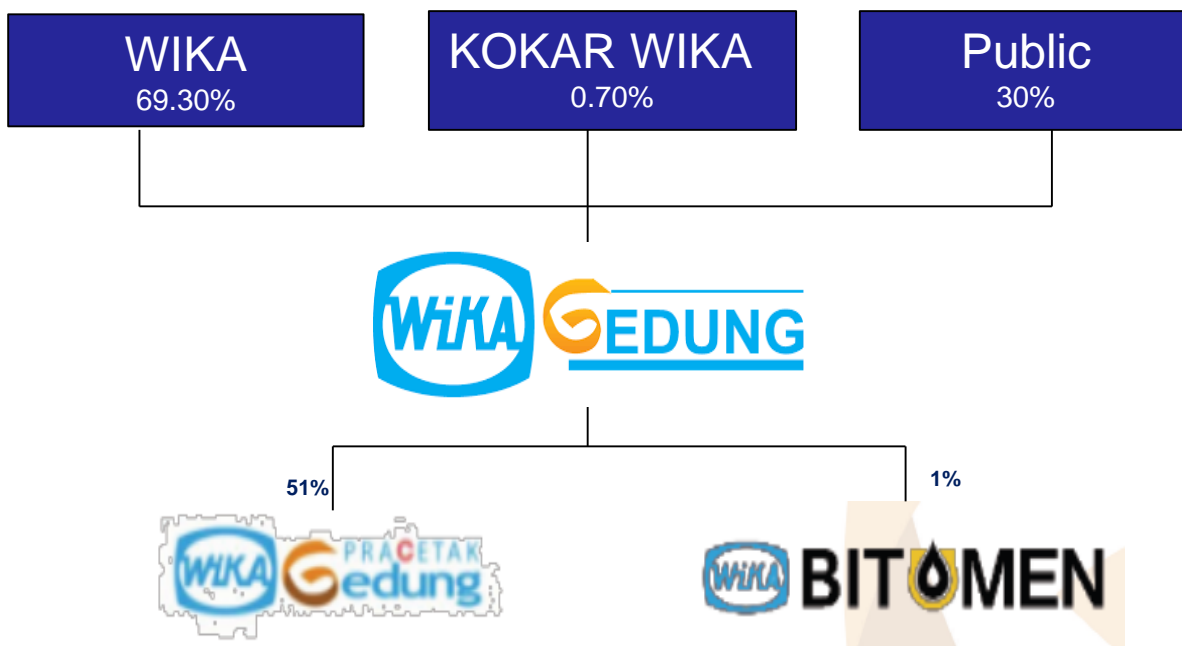


Chart: Total order book vs new contract (IDR. In bn)

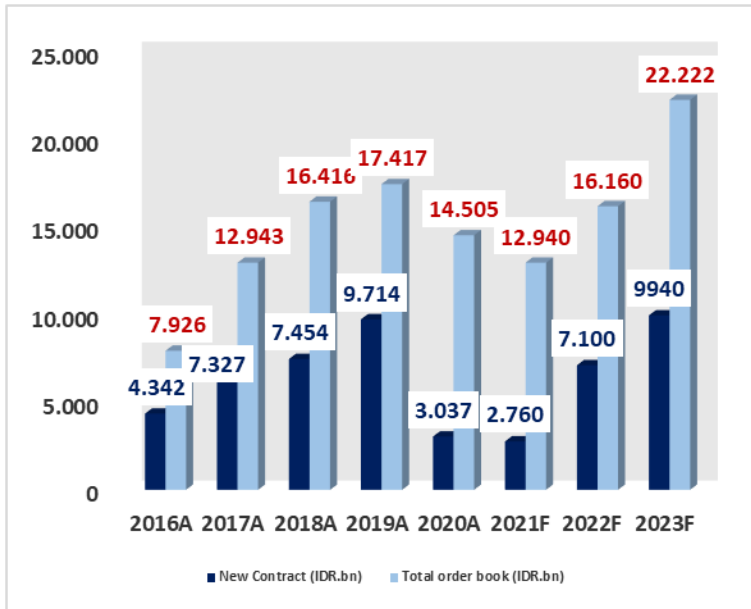


Chart: Net profit margin and EBITDA margin (%) yoy

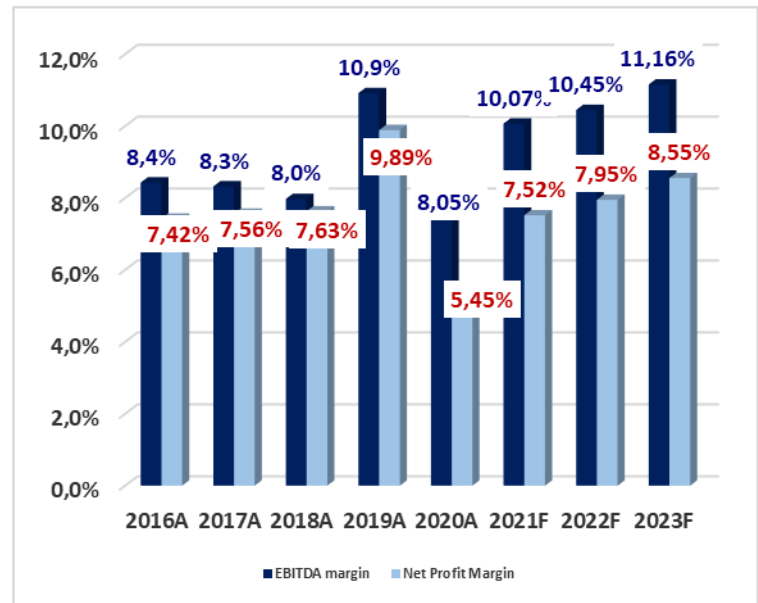


Chart: New contract based on project owner yoy (%)

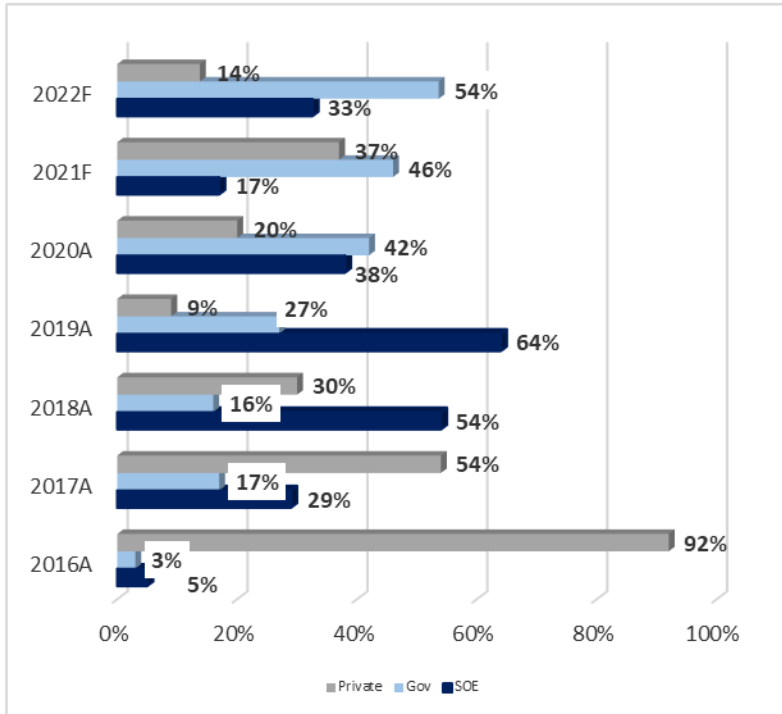
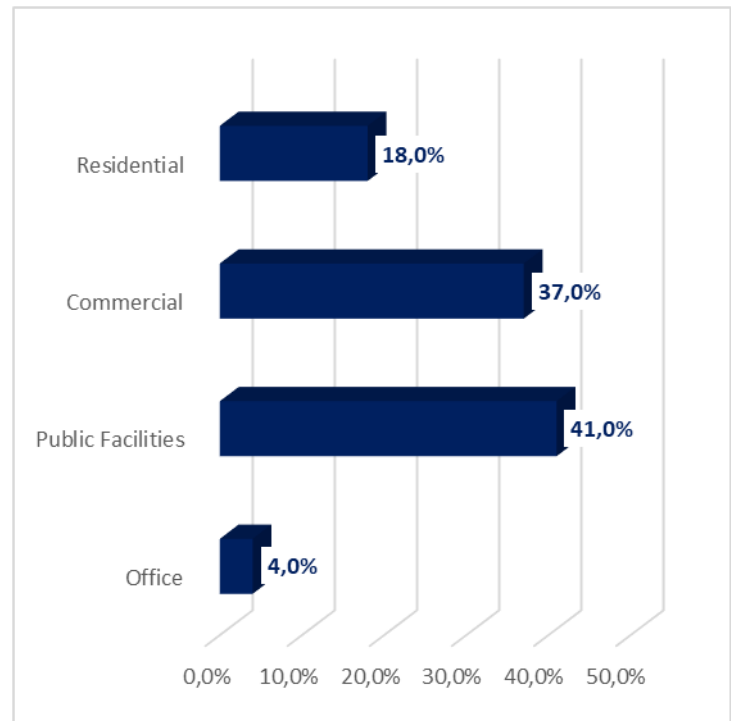


Chart: 2021's New contract by segment as of 2021



Profit and Loss

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Balance Sheet

Balance Sheet (IDR. in bn)	2018A	2019A	2020A	2021F	2022F	2023F
Cash and cash equivalent	1.766	1.456	1.508	1.664	1.587	1.800
Trade Account Receivable	979	873	645	715	850	1.023
inventory	299	360	377	383	426	520
Other current asset	2.231	2.398	2.173	2.174	2.715	3.200
Current Asset	5.275	5.087	4.703	4.935	5.578	6.543
Fixed Asset	86	149	181	194	224	313
other long term asset	530	962	1.199	1.242	1.551	1.867
Total non current Asset	616	1.110	1.379	1.436	1.776	2.179
Total Asset	5.890	6.197	6.082	6.371	7.354	8.722
Trade Account Payable	2.032	1.875	2.122	2.212	2.869	3.945
Short Term bank loans	0	177	406	609	579	550
Other short term liabilities	848	1.006	636	590	737	853
Total current liabilities	2.880	3.058	3.164	3.412	4.185	5.348
long term liabilities	869	670	605	621	776	853
Bank Loan			106	111	117	123
employee benefits	4	10	12	7	9	12
Total long term/ non current liabilities	873	680	723	739	901	988
Total Liabilities	3.753	3.738	3.887	4.151	5.086	6.336
non controlling interest	26	30	33	38	38	42
Total Equities	2.111	2.429	2.162	2.182	2.229	2.344
Total Liabilities & Equity	5.890	6.197	6.082	6.371	7.354	8.722

Cash Flow (IDR. In bn)

Cash Flow (IDR. in bn)	2018A	2019A	2020A	2021F	2022F	2023F
+ Net Income	444	452	153	234	310	456
+Depreciation	19	21	37	46	65	86
- Change in WC	-310	55	542	171	54	411
Cash From Operating Activities	154	529	733	450	429	953
capex	-197	-516	-307	-103	-404	-490
cash from investing activities	-197	-516	-307	-103	-404	-490
long term liabilities	168	-199	-65	16	155	78
Bank Loan			106	5	6	6
other long term liabilities	-27	5	2	-5	2	3
Equity	-31	-129	-418	-208	-263	-338
cash from financing activities	110	-322	-375	-192	-101	-251
Net Changes in Cash	67	-310	52	156	-76	213
Beginning Balance	1.699	1.766	1.456	1.508	1.664	1.587
Ending balance	1.766	1.456	1.508	1.664	1.587	1.800

Financial Ratio Highlights

Ratio highlights YoY	2018A	2019A	2020A	2021F	2022F	2023F
Growth (%)						
Revenues	49,32%	-21,55%	-38,48%	10,52%	24,88%	37,51%
OP	27,24%	-23,96%	-62,26%	64,31%	40,75%	37,51%
EBITDA	43,00%	7,45%	-54,63%	38,17%	30,14%	44,77%
Net profit	50,66%	1,67%	-66,06%	52,34%	32,76%	47,15%
EPS	-5,32%	1,67%	-66,06%	52,34%	32,76%	47,15%
Profitability (%)						
Operating Margin	8,90%	8,63%	5,29%	7,87%	8,87%	8,87%
EBITDA margin	7,97%	10,92%	8,05%	10,07%	10,49%	11,04%
NET Profit margin	7,63%	9,89%	5,45%	7,52%	7,99%	8,55%
ROA	7,54%	7,29%	2,52%	3,66%	4,22%	5,23%
ROE	21,04%	18,59%	7,09%	10,70%	13,91%	19,46%
Liquidity (x)						
Current Ratio (X)	1,83	1,66	1,49	1,45	1,33	1,22
Cash Ratio	0,61	0,48	0,48	0,49	0,38	0,34
Solvability (x)						
Total debt/ Total equity (x)	1,78	1,54	1,80	1,90	2,28	2,70
Int. Coverage (x)	1053,47	22,40	4,81	7,55	10,54	10,84
Debt Ratio	0,64	0,60	0,64	0,65	0,69	0,73
Per Share data (Rp)						
EPS	46,41	47,19	16,01	24,39	32,39	47,66
BVS	220,55	253,76	225,86	228,00	232,91	244,90

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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