

4 March 2021  
Building Construction, Equity

Price IDR. 238  
Target Price IDR. 310  
JKSE Index 6372,53



Stock Code WEGE IJ  
Bloomberg code 2300  
Market cap (IDR.bn) 298  
52-Week High (IDR) 122  
52-Week Low (IDR) 198  
6-m Avg Daily. Val (IDR) 30.00  
Free Float (%) 30.00

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

USD/IDR-YE  
2020A 14050  
2021F 14334

Key Indicators  
2021F  
Total Debt/ Equity (x) 1.16  
Current ratio (x) 1.67

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## Investment Consideration

### Targetting 39% new contract growth

WEGE is targetting new contracts for 2021 of IDR 4,2 trillion, up 39% from its actual contract of IDR 3,037 trillion last year. 2020 was revised from an initial target of IDR 14,9 trillion due to some large projects experiencing slowdowns or holdups due to the pandemic. Most of the new contract targets are SOE and Gov projects, with Government representing 44%; SOEs 19%; and Private projects 37%. The composition shows that WEGE is focusing on projects which have strong funding. As of 2M21, new contracts amount to IDR 501,95 billion, from private 44.07%, SOE 0.20% and Government 55.73%. Most of the new contracts are residential developments. With Carry Over contracts of IDR 11.30 trillion from last year, and new contracts ahead, we expect improving cashflow, We are optimistic WEGE will secure a revenue increase compared to last year and we target CAGR revenue growth in the next 2 years of 32%.

### WEGE 2021 strategy

WEGE's 2021 strategy makes us optimistic that the company's target can be achieved. WEGE has a specialized market which is well served by the company's expertise in operations, marketing, development and financing. Examples of expertise include; a world class standard in the field of QSHE implementation, a focus on Quality & Safety, Digital transformation in all areas of business and entering into the premium market. We expect WEGE to be careful in customer and partner selection and to continue to develop their supplier integration business model.

### Valuation: 30% upside

We adjust and revise our target price to IDR. 310/share or trading at 7,7x PER. With 30% upside, we retain our recommendation to BUY.

Profit and Loss (IDR. in bn)	2017A	2018A	2019A	2020F	2021F	2022F
<b>Revenues</b>	<b>3.899</b>	<b>5.823</b>	<b>4.568</b>	<b>2.611</b>	<b>3.570</b>	<b>4.109</b>
Cost of Revenues	(3.436)	(5.226)	(4.102)	(2.402)	(3.213)	(3.657)
<b>Gross Profit</b>	<b>464</b>	<b>597</b>	<b>465</b>	<b>209</b>	<b>357</b>	<b>452</b>
Operating Expenses	(56)	(78)	(71)	(46)	(63)	(73)
<b>Operating Income</b>	<b>407</b>	<b>518</b>	<b>394</b>	<b>163</b>	<b>294</b>	<b>379</b>
Other Income	(112)	(74)	63	31	18	8
<b>Profit Before Tax</b>	<b>296</b>	<b>445</b>	<b>457</b>	<b>194</b>	<b>312</b>	<b>388</b>
Tax expense	0	(0)	(0)	(0)	(0)	(0)
EPS	49	46	47	20	32	40
<b>Net Income</b>	<b>295</b>	<b>444</b>	<b>452</b>	<b>190</b>	<b>310</b>	<b>384</b>
<b>EBITDA</b>	<b>325</b>	<b>464</b>	<b>499</b>	<b>253</b>	<b>387</b>	<b>475</b>

**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**

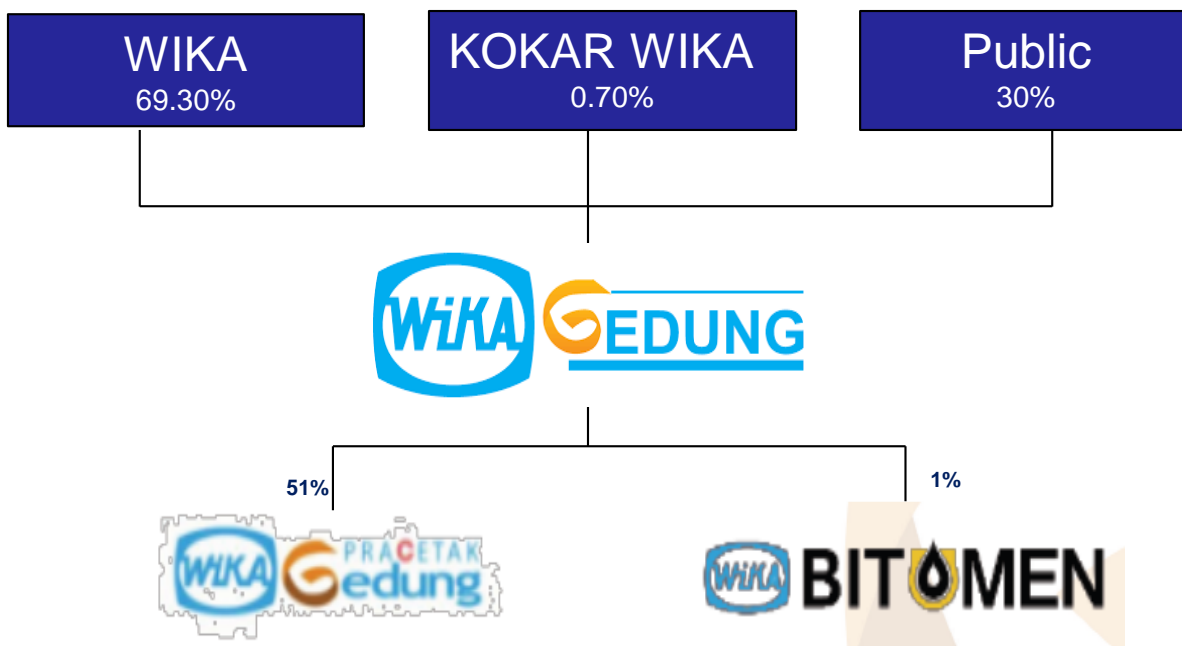


Chart: Total order book vs new contract (IDR. In bn)

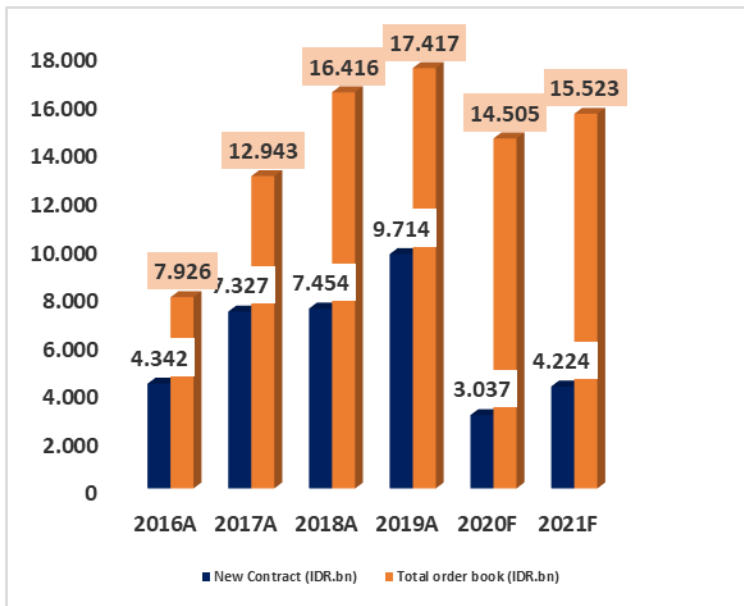


Chart: Net profit margin and EBITDA margin (%) yoy

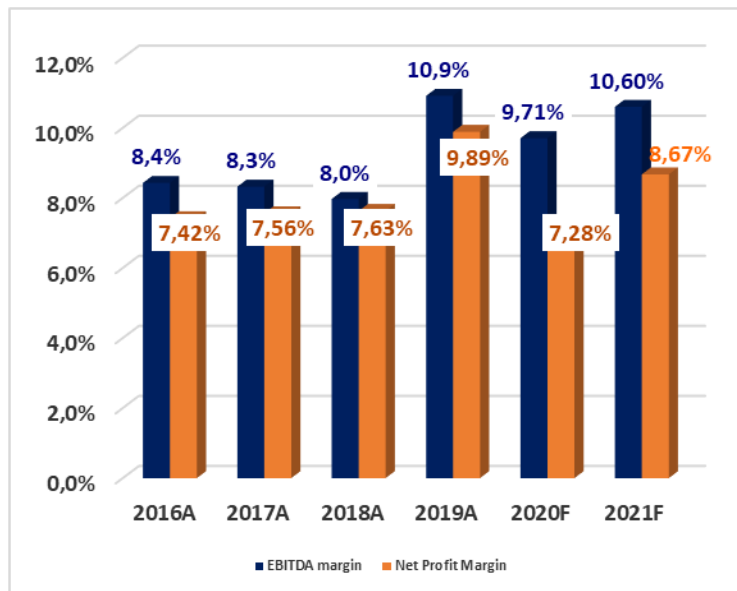


Chart: New contract based on customer profile yoy (%)

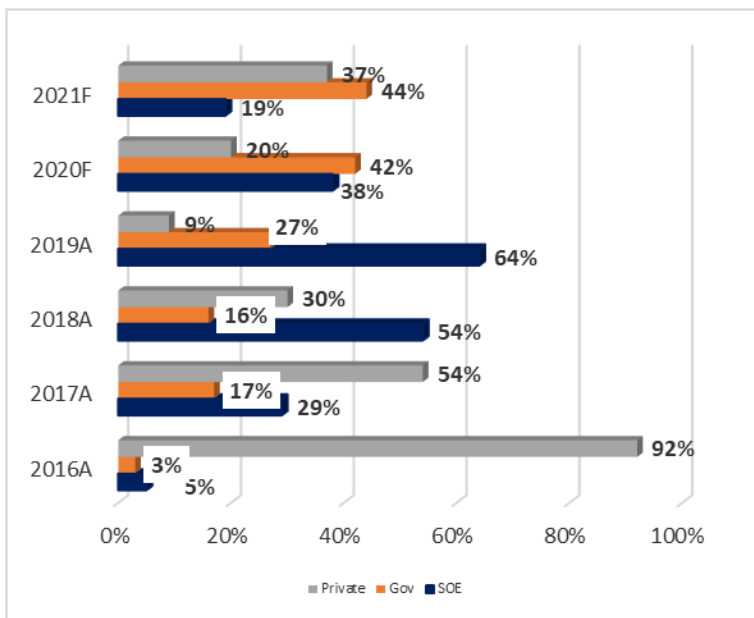
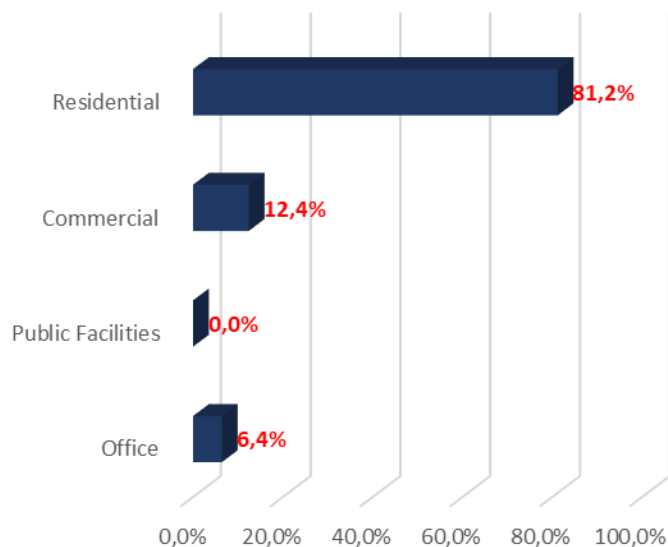


Chart: 2021's New contract by segment as of Feb 2021



Profit and Loss (IDR. In bn)

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Balance Sheet (IDR. In bn)

Balance Sheet (IDR. in bn)	2017A	2018A	2019A	2020F	2021F	2022F
Cash and cash equivalent	1.699	1.766	1.456	1.400	1.693	1.625
Trade Account Receivable	944	979	873	536	783	844
inventory	322	299	360	329	440	451
Other current asset	1.205	2.231	2.398	2.089	1.428	1.438
<b>Current Asset</b>	<b>4.170</b>	<b>5.275</b>	<b>5.087</b>	<b>4.354</b>	<b>4.344</b>	<b>4.358</b>
Fixed Asset	64	86	149	208	306	422
other long term asset	374	530	962	1.044	928	1.027
<b>Total non current Asset</b>	<b>438</b>	<b>616</b>	<b>1.110</b>	<b>1.252</b>	<b>1.234</b>	<b>1.450</b>
<b>Total Asset</b>	<b>4.608</b>	<b>5.890</b>	<b>6.197</b>	<b>5.607</b>	<b>5.578</b>	<b>5.808</b>
Trade Account Payable	713	2.032	1.875	1.502	1.369	1.576
Short Term bank loans	613	0	177	504	704	454
Other short term liabilities	825	848	1.006	496	536	657
<b>Total current liabilities</b>	<b>2.152</b>	<b>2.880</b>	<b>3.058</b>	<b>2.502</b>	<b>2.609</b>	<b>2.688</b>
long term liabilities	701	869	670	548	357	411
employee benefits	31	4	10	10	7	8
<b>Total long term/ non current liabilities</b>	<b>732</b>	<b>873</b>	<b>680</b>	<b>559</b>	<b>364</b>	<b>419</b>
<b>Total Liabilities</b>	<b>2.884</b>	<b>3.753</b>	<b>3.738</b>	<b>3.061</b>	<b>2.973</b>	<b>3.107</b>
non controlling interest	25	26	30	34	33	29
<b>Total Equities</b>	<b>1.698</b>	<b>2.111</b>	<b>2.429</b>	<b>2.512</b>	<b>2.572</b>	<b>2.672</b>
<b>Total Liabilities &amp; Equity</b>	<b>4.608</b>	<b>5.890</b>	<b>6.197</b>	<b>5.607</b>	<b>5.578</b>	<b>5.808</b>

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

<b>Cash Flow (IDR. in bn)</b>	<b>2017A</b>	<b>2018A</b>	<b>2019A</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>
+ Net Income	295	444	452	190	310	384
+Depreciation	13	19	21	31	44	58
- Change in WC	312	-310	55	121	410	-4
<b>Cash From Operating Activities</b>	<b>620</b>	<b>154</b>	<b>529</b>	<b>342</b>	<b>764</b>	<b>438</b>
capex	-105	-197	-516	-173	-26	-273
<b>cash from investing activities</b>	<b>-105</b>	<b>-197</b>	<b>-516</b>	<b>-173</b>	<b>-26</b>	<b>-273</b>
long term liabilities	249	168	-199	-122	-191	54
other long term liabilities	12	-27	5	1	-3	1
Equity	784	-31	-129	-104	-250	-289
<b>cash from financing activities</b>	<b>1.045</b>	<b>110</b>	<b>-322</b>	<b>-225</b>	<b>-445</b>	<b>-234</b>
Net Changes in Cash	1.559	67	-310	-56	293	-69
<b>Beginning Balance</b>	<b>139</b>	<b>1.699</b>	<b>1.766</b>	<b>1.456</b>	<b>1.400</b>	<b>1.693</b>
<b>Ending balance</b>	<b>1.699</b>	<b>1.766</b>	<b>1.456</b>	<b>1.400</b>	<b>1.693</b>	<b>1.625</b>

**Ratio Highlights**

<b>Growth (% YoY)</b>	<b>2017A</b>	<b>2018A</b>	<b>2019A</b>	<b>2020F</b>	<b>2021F</b>	<b>2022F</b>
Revenues	102,09%	49,32%	-21,55%	-42,84%	36,75%	15,10%
OP	108,24%	27,24%	-23,96%	-58,71%	80,62%	29,07%
EBITDA	99,52%	43,00%	7,45%	-49,17%	52,74%	22,79%
Net profit	105,88%	50,66%	1,67%	-57,94%	63,02%	24,05%
EPS	98,50%	-5,32%	1,67%	-57,94%	63,02%	24,05%
<b>Profitability (%)</b>						
Operating Margin	10,45%	8,90%	8,63%	6,23%	8,23%	9,23%
EBITDA margin	8,32%	7,97%	10,92%	9,71%	10,84%	11,57%
NET Profit margin	7,56%	7,63%	9,89%	7,28%	8,67%	9,35%
ROA	6,40%	7,54%	7,29%	3,39%	5,55%	6,61%
ROE	17,36%	21,04%	18,59%	7,56%	12,04%	14,38%
<b>Liquidity (x)</b>						
Current Ratio (X)	1,94	1,83	1,66	1,74	1,67	1,62
Cash Ratio	0,79	0,61	0,48	0,56	0,65	0,60
<b>Solvability (x)</b>						
Total debt/ Total equity (x)	1,70	1,78	1,54	1,22	1,16	1,16
Int. Coverage (x)	19,24	1053,47	22,40	6,73	10,02	13,08
Debt Ratio	0,63	0,64	0,60	0,55	0,53	0,53
<b>Per Share data (Rp)</b>						
EPS	49,02	46,41	47,19	19,85	32,35	40,13
BVS	282,33	220,55	253,76	262,43	268,72	279,17

**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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