

## Investment Consideration

### Heading to higher profit

WEGE is on track to deliver higher profits as we mentioned in our previous report. As of 2018FY, WEGE managed to book revenue and bottom line growth of 50% yoy which is inline with our target. For this year, WEGE is continuing their goal to achieve more profit from an increase in new contracts targeted at 45% yoy which means a total order book of 22,78 trillion or 39% yoy growth compared to 27% yoy growth in 2018FY. Based on project owner in 2019F, most new contracts will come from Government 36%, with private 33%, and SOEs 31%. The burn rate target for this year remains above 30% as government projects are based on monthly progress. In terms of project type, most new contracts will still come from building construction followed by concession developments where residential is targeted to contribute 35%, public facilities 30%, offices 24%, and commercial 12%. As of Feb 2019, WEGE has booked new contracts from PTIK phase II, Sun City Residence Sidoarjo, University of Muhammadiyah lampung, and Site Office area Halim KCIC. After higher profits in 2017-2018 due to the DBG (Wika group ) merger into WEGE, we estimate 2019F bottom line growth will continue to be double digit at 38% yoy.

### On track to investment and concession

In 2019, WEGE is targeting capex of IDR. 1,128 trillion with most of the capex to be used for concession development. This is part of WEGE's goal to improve profitability from recurring income from concessions. After the 1st concession project, De Braga Hotel (Bandung), WEGE will get a 2nd concession project in Mandiri Proklamasi with a target to book revenue in 2020. WEGE is also targeting an airport concession. WEGE will receive revenue from the 1st concession in 2019F. We maintain our belief that a mix of projects from construction, investments and concessions will improve WEGE's future profitability.

### Valuation: 40% upside

With business expansion as well as their entry into concession and investment projects, WEGE's bottom line will improve in the future. We raise our TP within one year to 520 or 8.78 x PER. With 40% upside, we maintain our recommendation to BUY.

Profit and Loss (IDR. in bn)	2016A	2017A	2018A	2019F	2020F
<b>Revenues</b>	<b>1,929</b>	<b>3,899</b>	<b>5,823</b>	<b>7,473</b>	<b>9,650</b>
Cost of Revenues	(1,693)	(3,436)	(5,226)	(6,651)	(8,589)
<b>Gross Profit</b>	<b>237</b>	<b>464</b>	<b>597</b>	<b>822</b>	<b>1,062</b>
Operating Expenses	(41)	(56)	(78)	(159)	(205)
<b>Operating Income</b>	<b>196</b>	<b>407</b>	<b>518</b>	<b>663</b>	<b>856</b>
Other Income	(52)	(112)	(74)	(94)	(116)
<b>Profit Before Tax</b>	<b>143</b>	<b>296</b>	<b>445</b>	<b>569</b>	<b>740</b>
Tax expense	0	0	(0)	(0)	(0)
EPS	25	49	46	59	77
<b>Net Income</b>	<b>143</b>	<b>295</b>	<b>444</b>	<b>567</b>	<b>738</b>
<b>EBITDA</b>	<b>163</b>	<b>325</b>	<b>464</b>	<b>610</b>	<b>813</b>

13 Maret 2019  
Building Construction, Equity

Price **IDR. 372**  
Target Price **IDR. 520**  
JKSE Index **6353.774**



Stock Code **WEGE IJ**  
Bloomberg code **3579.9**  
Market cap (IDR.bn) **374**  
52-Week High (IDR) **190**  
52-Week Low (IDR) **255**  
6-m Avg Daily. Val (IDR) **30.00**  
Free Float (%) **30.00**

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

USD/IDR-YE  
2018A **14390**  
2019F (Avg) **14547**

Key Indicators  
2019F  
Total Debt/ Equity (x) **1.88**  
Current ratio (x) **1.72**

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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, WIKA Gedung was mostly focused on Building Construction Services, particularly for private companies with a scope of work covering mechanical and electrical work, as well as interior and exterior work. Construction services for Government and SOEs was still done by WIKA's division 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 injected into the company (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 and Concession.

**Company Structure**

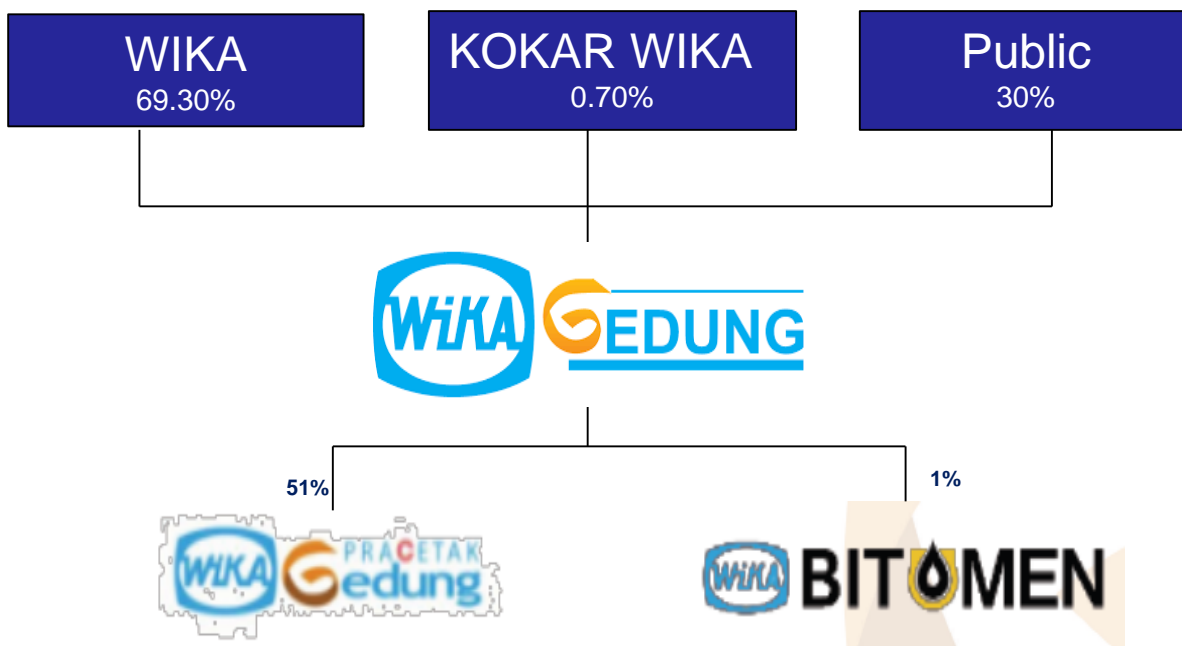


Chart: Total order book vs new contract (IDR. In bn)



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

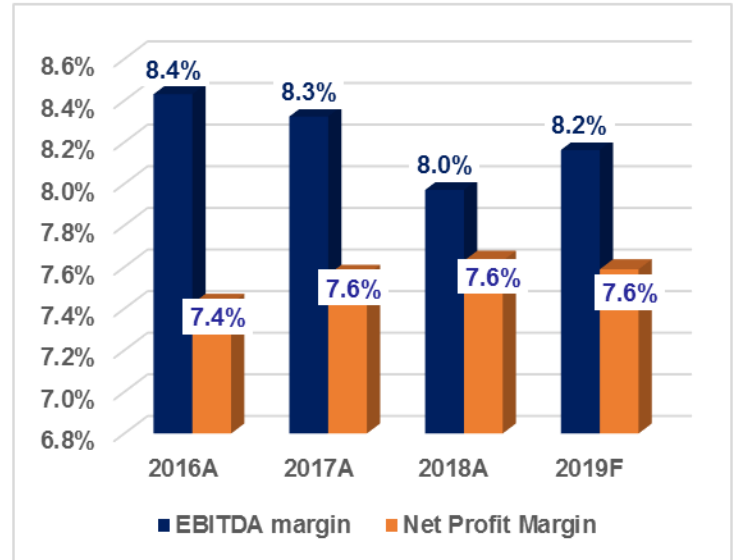


Chart: New contract based on customer profile yoy (%)

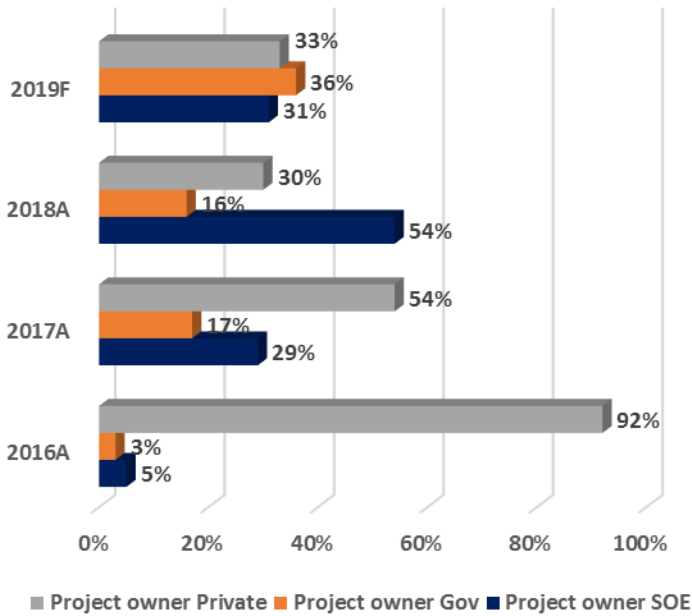
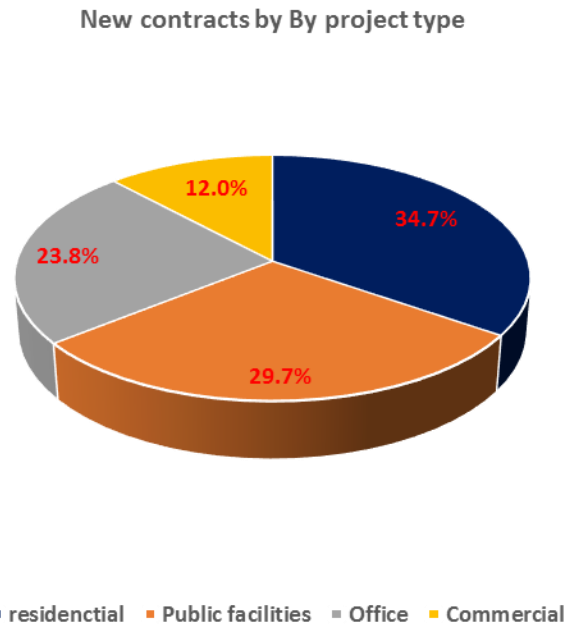


Chart: 2019F's New contract based on project type (%)



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Balance Sheet (IDR. In bn)

Balance Sheet (IDR. in bn)	2016A	2017A	2018A	2019F	2020F
Cash and cash equivalent	139	1,699	1,766	2,065	2,377
Trade Account Receivable	410	944	979	1,196	1,544
inventory	371	322	299	448	579
Other current asset	762	1,205	2,231	2,863	3,697
<b>Current Asset</b>	<b>1,683</b>	<b>4,170</b>	<b>5,275</b>	<b>6,572</b>	<b>8,197</b>
Fixed Asset	31	64	86	127	191
other long term asset	315	374	530	680	878
<b>Total non current Asset</b>	<b>346</b>	<b>438</b>	<b>616</b>	<b>807</b>	<b>1,069</b>
<b>Total Asset</b>	<b>2,029</b>	<b>4,608</b>	<b>5,890</b>	<b>7,379</b>	<b>9,266</b>
Trade Account Payable	238	713	2,032	2,616	3,378
Short Term bank loans	423	613	0	300	300
Other short term liabilities	252	825	848	897	1,158
<b>Total current liabilities</b>	<b>913</b>	<b>2,152</b>	<b>2,880</b>	<b>3,812</b>	<b>4,836</b>
long term liabilities	452	701	869	971	1,255
employee benefits	19	31	4	6	7
<b>Total long term/ non current liabilities</b>	<b>471</b>	<b>732</b>	<b>873</b>	<b>977</b>	<b>1,262</b>
<b>Total Liabilities</b>	<b>1,384</b>	<b>2,884</b>	<b>3,753</b>	<b>4,789</b>	<b>6,097</b>
non controlling interest	0	25	26	44	56
<b>Total Equities</b>	<b>645</b>	<b>1,698</b>	<b>2,111</b>	<b>2,545</b>	<b>3,113</b>
<b>Total Liabilities &amp; Equity</b>	<b>2,029</b>	<b>4,608</b>	<b>5,890</b>	<b>7,379</b>	<b>9,266</b>

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

<b>Cash Flow (IDR. in bn)</b>	<b>2016A</b>	<b>2017A</b>	<b>2018A</b>	<b>2019F</b>	<b>2020F</b>
+ Net Income	143	295	444	567	738
+Depreciation	9	13	19	28	42
- Change in WC	43	312	(310)	(66)	(290)
<b>Cash From Operating Activities</b>	<b>195</b>	<b>620</b>	<b>154</b>	<b>529</b>	<b>491</b>
Net fixed asset	(18)	(46)	(41)	(70)	(106)
Other long term asset	(219)	(60)	(155)	(150)	(198)
<b>cash from investing activities</b>	<b>(237)</b>	<b>(105)</b>	<b>(197)</b>	<b>(220)</b>	<b>(304)</b>
long term liabilities	(144)	249	168	103	283
other long term liabilities	6	12	(27)	1	2
Equity	215	784	(31)	(115)	(159)
<b>cash from financing activities</b>	<b>77</b>	<b>1,045</b>	<b>110</b>	<b>(11)</b>	<b>126</b>
Net Changes in Cash	36	1,559	67	299	312
<b>Beginning Balance</b>	<b>104</b>	<b>139</b>	<b>1,699</b>	<b>1,766</b>	<b>2,065</b>
<b>Ending balance</b>	<b>139</b>	<b>1,699</b>	<b>1,766</b>	<b>2,065</b>	<b>2,377</b>

**Ratio Highlights**

<b>Growth (% YoY)</b>	<b>2016A</b>	<b>2017A</b>	<b>2018A</b>	<b>2019F</b>	<b>2020F</b>
Revenues	34.74%	102.09%	49.32%	28.35%	29.14%
OP	44.03%	108.24%	27.24%	27.89%	29.14%
EBITDA	3.64%	99.52%	43.00%	31.44%	33.21%
Net profit	32.54%	105.88%	50.66%	27.66%	30.11%
EPS	32.54%	98.50%	-5.32%	27.66%	30.11%

**Profitability (%)**

Operating Margin	10.14%	10.45%	8.90%	8.87%	8.87%
EBITDA margin	8.43%	8.32%	7.97%	8.16%	8.42%
NET Profit margin	7.42%	7.56%	7.63%	7.59%	7.65%
ROA	7.06%	6.40%	7.54%	7.69%	7.96%
ROE	22.20%	17.36%	21.04%	22.28%	23.71%

**Liquidity (x)**

Current Ratio (X)	1.84	1.94	1.83	1.72	1.70
Cash Ratio	0.15	0.79	0.61	0.54	0.49

**Solvability (x)**

Total debt/ Total equity (x)	2.14	1.70	1.78	1.88	1.96
Int. Coverage (x)	13.94	19.24	1053.47	43.20	24.88
Debt Ratio	0.68	0.63	0.64	0.65	0.66

**Per Share data (Rp)**

EPS	24.69	49.02	46.41	59.25	77.09
BVS	111.25	282.33	220.55	265.88	325.19

**B**

**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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