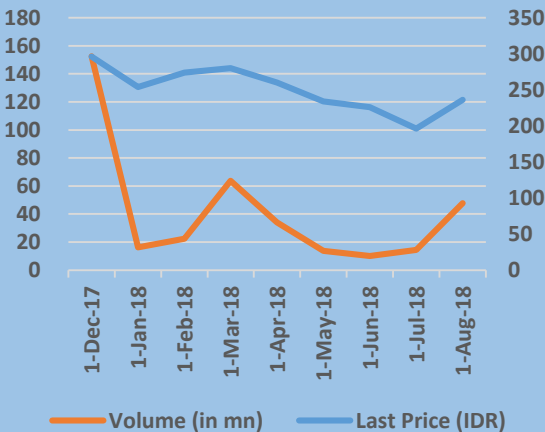


14 August 2018  
Building Construction, Equity

Price **IDR. 222**  
Target Price **IDR. 488**  
JKSE Index **5861.25**



Stock Code  
Bloomberg code **WEGE IJ**  
Market cap (IDR.bn) **2182.4**  
52-Week High (IDR) **314**  
52-Week Low (IDR) **190**  
6-m Avg Daily. Val (IDR) **243**  
Free Float (%) **30.00**

Major Shareholders (%)  
WIKARTHA **69.30%**  
KOKARTHA **0.70%**  
Public **30.00%**

USD/IDR-YE  
2017A **13555**  
2018F (Avg) **14015**

Key Indicators  
2019F  
Total Debt/ Equity (x) **1.47**  
Current ratio (x) **2.18**

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## Investment Consideration

### A higher burn rate

After the DBG (WIKARTHA group) merger with WEGE in 2016, WEGE has booked contracts not only from private companies but also from SOEs and Government. With these additional contracts, WEGE's burn rate which is the ratio of sales to total order book as it seen in 1H18 improved to 20% compared to 13% in 1H17. Going forward, the burn rate is targeted to improve above 30%, increasing sales further as Government projects are based on monthly progress combined with other projects. Based on project owner, as of 1H18, private contributes 59%, SOE 30.9%, and Gov 11%.

### Higher profit

WEGE is on track to deliver higher profits in future. As of 1H18, WEGE managed to book revenues of IDR. 2,4 trillion or 84% growth yoy with a bottom line of IDR. 181.1 billion or 70% growth yoy. WEGE will continue strengthening its business not only in building construction but also in recurring income from concessions and investments.

## Investment and concession projects

Investment projects in 2018-2019 come from office towers in Jakarta & Surabaya, airport buildings in Banten, Hotels in Bandung and Regional hospitals in Sidoarjo. WEGE is targeting new contracts in 2018 of IDR. 7,83 trillion with 7M18 new contract of IDR. 5,89 trillion compared to IDR. 3,1 trillion in 1H18. There are several big new contracts in 7M18, including Transpark Cibubur, Syamsudin Noor Airport – Banjarmasin, and Benhill central Jakarta. We maintain our belief that a mix of projects from construction to investment and concessions will improve WEGE's future profitability. With improvements in burn rate to total order book, our bottom line is slightly revised within 2018-2019 to average CAGR of 46%.

### Valuation: significant upside

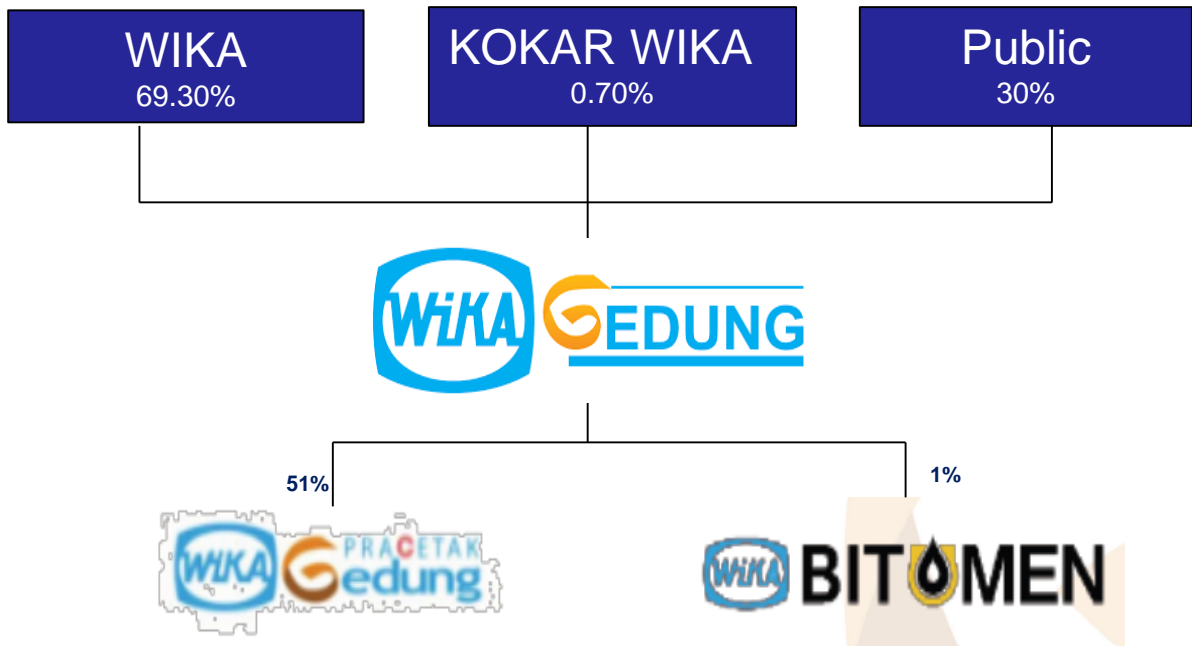
With business expansion as well as the entry into concession and investment projects, WEGE's bottom line will improve in the future. We are targeting a TP within one year of 488 or 4.99 x PER. With significant upside, we maintain our recommendation to BUY.

Profit and Loss (IDR. in bn)	2015A	2016A	2017A	2018F	2019F	2020F
Revenues	1,432	1,929	3,899	5,639	6,454	7,733
Cost of Revenues	(1,269)	(1,693)	(3,436)	(5,019)	(5,615)	(6,728)
Gross Profit	163	237	464	620	839	1,005
Operating Expenses	(27)	(41)	(56)	(100)	(114)	(137)
Operating Income	136	196	407	521	725	869
Other Income	16	(52)	(112)	57	65	77
Profit Before Tax	152	143	296	578	790	946
Tax expense	(43)	0	0	(116)	(158)	(189)
EPS	19	25	49	77	105	126
Net Income	108	143	295	461	630	755
EBITDA	157	163	325	616	821	985

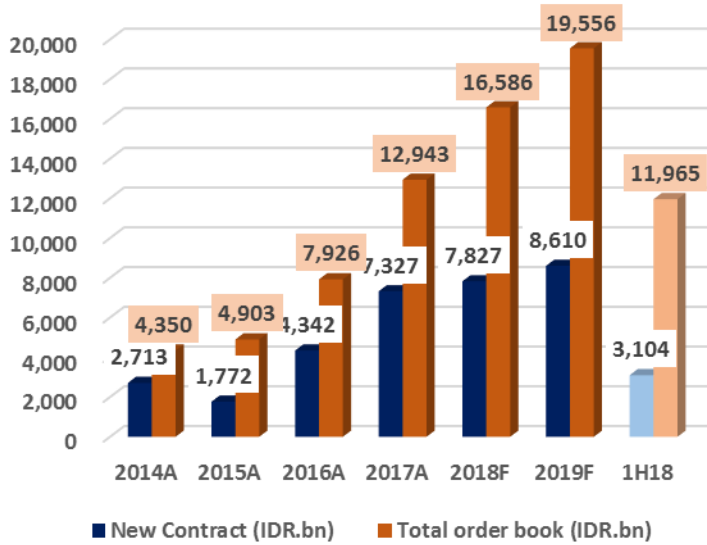
**Company Profile**

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 include construction building services and Investment and Concession,

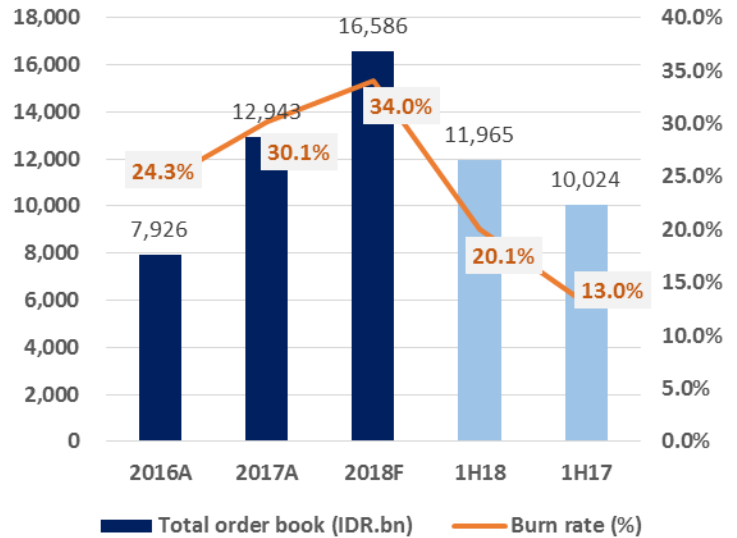
**Company Structure**



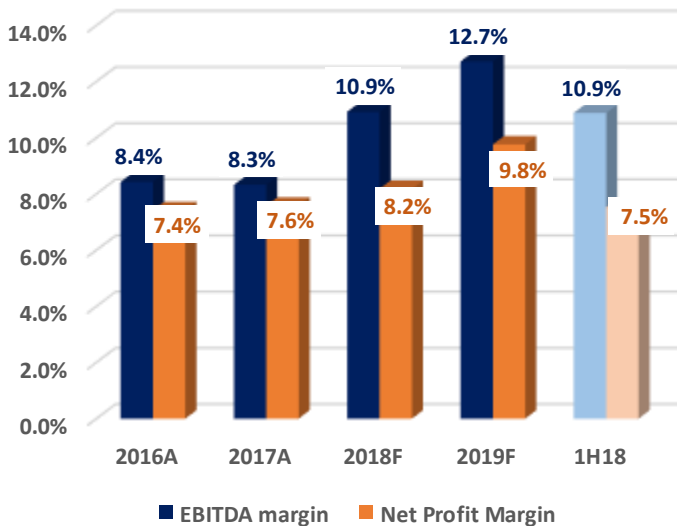
**Chart: Total order book vs new contract (IDR. In bn)**



**Chart: Total order book (IDR.bn) vs Burn rate (%)**



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



**Chart: New contract of WEGE as of July 2018**

New Contract as of July	Value (%)
<b>Construction</b>	
Palembang Airport Extension	2.6%
Transmart Majapahit Semarang	2.1%
Transmart Pekalongan	2.0%
Life Guard & rest room at Kuta Mandalika Lombok	0.3%
<b>Investment</b>	
Transpark Cibubur Syamsuddin	
Noor airport - Banjarmasin	15.8%
RSUD Cengkareng	2.6%
Benhill Central Jakarta	24.2%
<b>New Business</b>	
Tamansari Tera	0.1%
WIKA Pracetak Gedung	0.5%
<b>Total Contract</b>	<b>IDR. 5892.57 bn</b>

Profit and Loss (IDR. In bn)

Profit and Loss (IDR. in bn)	2014A	2015A	2016A	2017A	2018F	2019F	2020F
<b>Revenues</b>	<b>1,219</b>	<b>1,432</b>	<b>1,929</b>	<b>3,899</b>	<b>5,639</b>	<b>6,454</b>	<b>7,733</b>
Cost of Revenues	(1,099)	(1,269)	(1,693)	(3,436)	(5,019)	(5,615)	(6,728)
<b>Gross Profit</b>	<b>120</b>	<b>163</b>	<b>237</b>	<b>464</b>	<b>620</b>	<b>839</b>	<b>1,005</b>
Operating Expenses	(19)	(27)	(41)	(56)	(100)	(114)	(137)
<b>Operating Income</b>	<b>102</b>	<b>136</b>	<b>196</b>	<b>407</b>	<b>521</b>	<b>725</b>	<b>869</b>
Other Income	1	16	(52)	(112)	57	65	77
<b>Profit Before Tax</b>	<b>102</b>	<b>152</b>	<b>143</b>	<b>296</b>	<b>578</b>	<b>790</b>	<b>946</b>
Tax expense	(37)	(43)	0	0	(116)	(158)	(189)
EPS	11	19	25	49	77	105	126
<b>Net Income</b>	<b>66</b>	<b>108</b>	<b>143</b>	<b>295</b>	<b>461</b>	<b>630</b>	<b>755</b>
<b>EBITDA</b>	<b>107</b>	<b>157</b>	<b>163</b>	<b>325</b>	<b>616</b>	<b>821</b>	<b>985</b>

Balance Sheet (IDR. In bn)

Balance Sheet (IDR. in bn)	2014A	2015A	2016A	2017A	2018F	2019F	2020F
Cash and cash equivalent	119	104	139	1,699	1,671	2,018	1,976
Trade Account Receivable	182	296	410	944	1,241	1,549	1,856
inventory	129	230	371	322	508	581	696
Other current asset	521	603	762	1,205	1,748	2,001	2,397
<b>Current Asset</b>	<b>950</b>	<b>1,232</b>	<b>1,683</b>	<b>4,170</b>	<b>5,168</b>	<b>6,148</b>	<b>6,925</b>
Fixed Asset	16	23	31	64	101	158	249
other long term asset	46	95	315	374	564	645	773
<b>Total non current Asset</b>	<b>62</b>	<b>118</b>	<b>346</b>	<b>438</b>	<b>665</b>	<b>803</b>	<b>1,022</b>
<b>Total Asset</b>	<b>1,012</b>	<b>1,350</b>	<b>2,029</b>	<b>4,608</b>	<b>5,832</b>	<b>6,952</b>	<b>7,947</b>
Trade Account Payable	49	144	238	713	1,015	1,162	1,392
Short Term bank loans	134	106	423	613	300	300	300
Other short term liabilities	278	204	252	825	1,184	1,355	1,624
<b>Total current liabilities</b>	<b>461</b>	<b>455</b>	<b>913</b>	<b>2,152</b>	<b>2,499</b>	<b>2,817</b>	<b>3,316</b>
long term liabilities	342	596	452	701	1,014	1,160	1,390
employee benefits	13	13	19	31	113	129	155
<b>Total long term/ non current liabilities</b>	<b>355</b>	<b>608</b>	<b>471</b>	<b>732</b>	<b>1,127</b>	<b>1,289</b>	<b>1,545</b>
<b>Total Liabilities</b>	<b>816</b>	<b>1,063</b>	<b>1,384</b>	<b>2,884</b>	<b>3,626</b>	<b>4,106</b>	<b>4,861</b>
non controlling interest	0	0	0	25	47	56	64
<b>Total Equities</b>	<b>196</b>	<b>287</b>	<b>645</b>	<b>1,698</b>	<b>2,160</b>	<b>2,790</b>	<b>3,023</b>
<b>Total Liabilities &amp; Equity</b>	<b>1,012</b>	<b>1,350</b>	<b>2,029</b>	<b>4,608</b>	<b>5,832</b>	<b>6,952</b>	<b>7,947</b>

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

<b>Cash Flow (IDR. in bn)</b>	<b>2014A</b>	<b>2015A</b>	<b>2016A</b>	<b>2017A</b>	<b>2018F</b>	<b>2019F</b>	<b>2020F</b>
+ Net Income	66	108	143	295	461	630	755
+Depreciation	5	5	9	13	22	13	13
- Change in WC	(388)	(303)	43	312	(678)	(316)	(320)
<b>Cash From Operating Activities</b>	<b>(318)</b>	<b>(190)</b>	<b>195</b>	<b>620</b>	<b>(195)</b>	<b>327</b>	<b>449</b>
capex	(5)	(12)	(18)	(46)	(59)	(71)	(104)
other long term asset	(45)	(49)	(219)	(60)	(190)	(81)	(128)
<b>cash from investing activities</b>	<b>(49)</b>	<b>(61)</b>	<b>(237)</b>	<b>(105)</b>	<b>(248)</b>	<b>(152)</b>	<b>(232)</b>
long term liabilities	342	254	(144)	249	313	146	230
other long term liabilities	9	(1)	6	12	82	16	26
Equity	(22)	(17)	215	784	21	9	(515)
<b>cash from financing activities</b>	<b>328</b>	<b>236</b>	<b>77</b>	<b>1,045</b>	<b>416</b>	<b>172</b>	<b>(259)</b>
Net Changes in Cash	(39)	(15)	36	1,559	(27)	347	(42)
<b>Beginning Balance</b>	<b>158</b>	<b>119</b>	<b>104</b>	<b>139</b>	<b>1,699</b>	<b>1,671</b>	<b>2,018</b>
<b>Ending balance</b>	<b>119</b>	<b>104</b>	<b>139</b>	<b>1,699</b>	<b>1,671</b>	<b>2,018</b>	<b>1,976</b>

**Ratio Highlights**

<b>Growth (% YoY)</b>	<b>2014A</b>	<b>2015A</b>	<b>2016A</b>	<b>2017A</b>	<b>2018F</b>	<b>2019F</b>	<b>2020F</b>
Revenues	4.04%	17.48%	34.74%	102.09%	44.62%	14.44%	19.83%
OP	33.90%	33.56%	44.03%	108.24%	27.82%	39.23%	19.83%
EBITDA	33.00%	46.71%	3.64%	99.52%	89.79%	33.22%	20.09%
Net profit	55.61%	64.53%	32.54%	105.88%	56.41%	36.67%	19.83%
EPS	-100.00%	64.53%	32.54%	98.50%	56.41%	36.67%	19.83%
<b>Profitability (%)</b>							
Operating Margin	8.34%	9.49%	10.14%	10.45%	9.23%	11.23%	11.23%
EBITDA margin	8.78%	10.96%	8.43%	8.32%	10.92%	12.71%	12.74%
NET Profit margin	5.39%	7.55%	7.42%	7.56%	8.18%	9.77%	9.77%
ROA	6.49%	8.00%	7.06%	6.40%	7.91%	9.07%	9.50%
ROE	33.50%	37.63%	22.20%	17.36%	21.36%	22.59%	24.99%
<b>Liquidity</b>							
Current Ratio (X)	2.06	2.71	1.84	1.94	2.07	2.18	2.09
Cash Ratio	0.26	0.23	0.15	0.79	0.67	0.72	0.60
<b>Solvability</b>							
Total debt/ Total equity (x)	4.16	3.70	2.14	1.70	1.68	1.47	1.61
Int. Coverage (x)	493.77	364.25	13.94	19.24	35.94	45.00	36.61
Debt Ratio	0.81	0.79	0.68	0.63	0.62	0.59	0.61
<b>Per Share data (Rp)</b>							
EPS	11.32	18.63	24.69	49.02	76.67	104.79	125.57
BVPS	33.80	49.51	111.25	177.43	225.61	291.47	315.77

**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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