

6 January 2023  
Construction, Equity

Price **IDR. 765**  
Target Price **IDR. 2130**  
JKSE Index **6684.291**

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### Investment Consideration

#### 27.7 trillion new contracts booked

In the first 11 months of 2022 WIKA booked new contracts valued at IDR 27.7 trillion or 69% of the revised annual target of IDR 39 trillion. The 11M22's new contract total was up 66.9% from new contracts in 11M21 of IDR 16.6 trillion. Based on the scope of work, the largest share of new contracts was contributed by buildings at 35% while toll roads and bridges contributed 17%. Based on project owner, 11M22's new contracts came from the Government, 44.8%, private companies 34.2%, SOE 13.6%, and investment 7.4%. We believe that WIKA's new contracts in 2023 will be better than 2022 even though the growth might not be as high as in 2022. WIKA will also participate more in the new capital city IKN project. As of September 2022, WIKA has received 2 IKN projects worth IDR 1.1 trillion from toll roads and flats for IKN infrastructure workers using modular technology. Our new contract growth forecast for 2023 remains conservative but double digits at IDR 47 trillion.

#### Maintaining DER levels

WIKA's Debt to Equity (DER) ratio for 9M22 is 1.83x. WIKA issued bonds and SUKUK worth IDR 2.5 trillion in Feb 2022. All funds from the bond issuance will be used for the payment of short-term debts. Meanwhile, funds from the issuance of the sukuk will be used to finance infrastructure and building projects. We calculate that with the issuance of the bonds and Sukuk, DER will be maintained at the level of 1.83x in 2022 and 1.81x in 2023. WIKA is working to improve cash flow to reduce future dependence on bank loans.

#### Valuation: significant upside, BUY

We have a target price within one year of IDR 2,130 or trading at 11.1x PER which gives significant potential upside. We maintain our recommendation to BUY.

Stock Code **WIKA IJ**  
Bloomberg code **8520**  
Market cap (IDR.bn) **1180**  
52-Week High (IDR) **770**  
52-Week Low (IDR) **860**  
6-m Avg Daily. Val (IDR) **34.94**  
Free Float (%) **770**

Major Shareholders (%)  
Government RI **65.05%**  
Public **34.94%**  
Ade Wahyu (Director) **0.01%**

USD/IDR-YE  
2022A **15592**  
2023F **15607**

Key Indicators  
Debt/ Equity (x) **1.81**  
Current ratio (x) **1.05**

| Financial highlights ratio | 2018 A | 2019 A  | 2020 A  | 2021 A | 2022 F | 2023 F | 2024 F |
|----------------------------|--------|---------|---------|--------|--------|--------|--------|
| revenue growth (%)         | 19.03% | -12.66% | -39.23% | 7.70%  | 22.17% | 25.69% | 17.79% |
| Operating margin (%)       | 10.76% | 13.58%  | 8.85%   | 6.31%  | 7.21%  | 6.50%  | 8.86%  |
| Net profit margin (%)      | 5.55%  | 8.40%   | 1.12%   | 0.66%  | 0.19%  | 1.63%  | 2.34%  |
| ROE (%)                    | 10.05% | 11.89%  | 1.12%   | 0.67%  | 0.24%  | 2.49%  | 4.06%  |
| Debt/Equity (x)            | 0.76   | 0.72    | 1.23    | 1.51   | 1.83   | 1.81   | 1.77   |
| Current ratio (X)          | 1.54   | 1.39    | 1.09    | 1.01   | 1.02   | 1.05   | 0.89   |
| cash ratio (X)             | 0.49   | 0.34    | 0.34    | 0.19   | 0.07   | 0.11   | 0.04   |
| EPS                        | 192.9  | 254.7   | 20.7    | 13.1   | 4.7    | 49.7   | 83.9   |

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

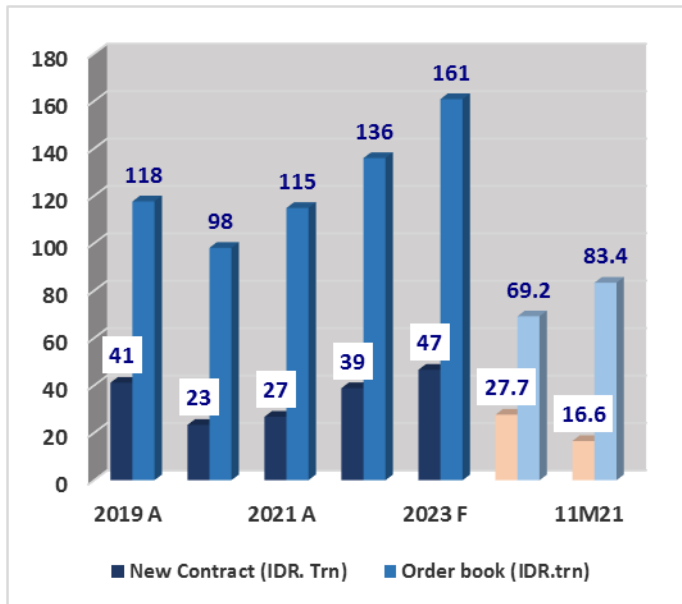


Chart: New contract based on project owner (%)

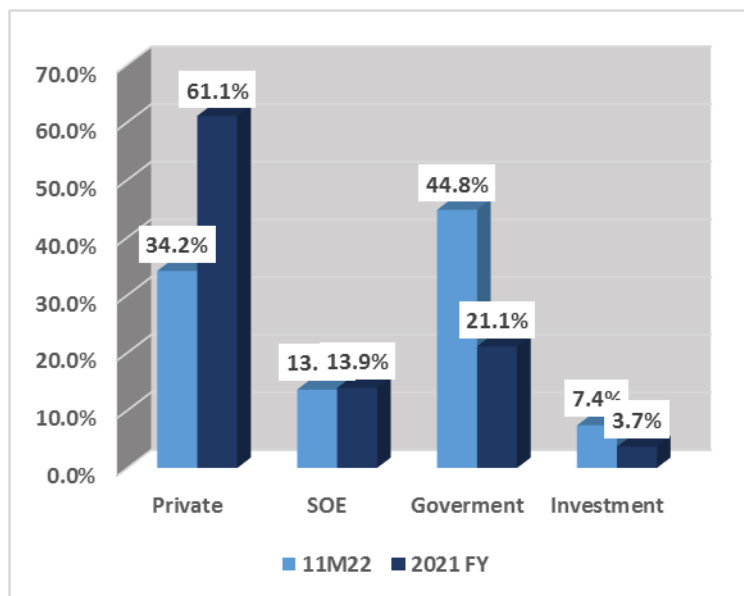


Chart: cash ratio (x) yoy

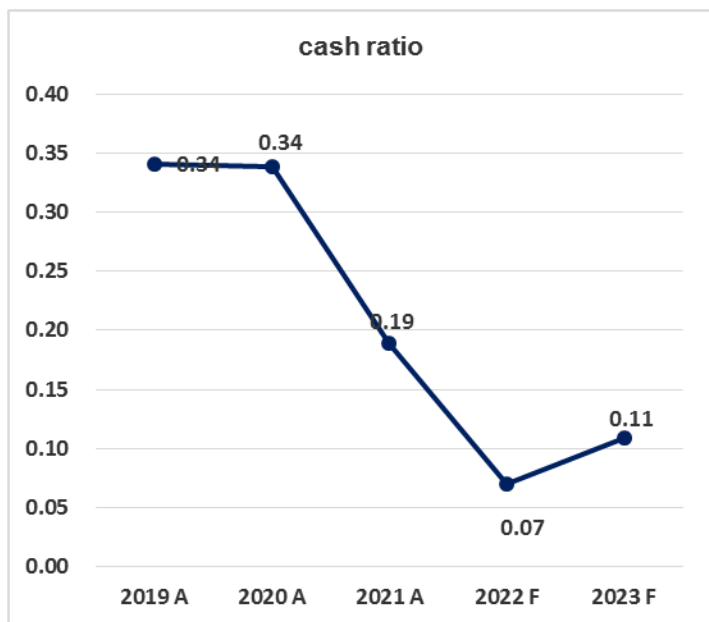
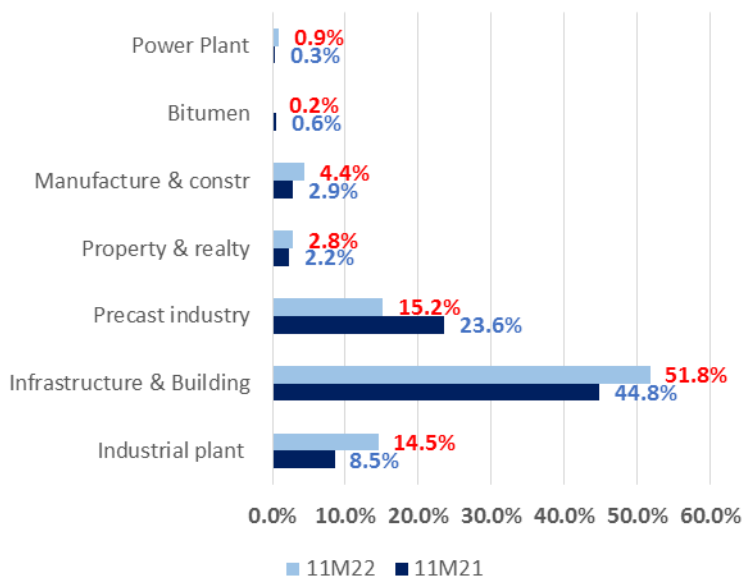


Chart: New contract based on scope of work during 11M22



Profit and Loss (IDR.bn)

| Profit and Loss (IDR.bn) | 2018A         | 2019A         | 2020A         | 2021A         | 2022F         | 2023F         | 2024F         |
|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <b>Revenue</b>           | <b>31,158</b> | <b>27,213</b> | <b>16,536</b> | <b>17,810</b> | <b>21,757</b> | <b>27,348</b> | <b>32,214</b> |
| Cost of revenues         | (27,553)      | (23,733)      | (15,012)      | (16,115)      | (19,799)      | (24,886)      | (28,670)      |
| <b>Gross Profit</b>      | <b>3,605</b>  | <b>3,480</b>  | <b>1,525</b>  | <b>1,695</b>  | <b>1,958</b>  | <b>2,461</b>  | <b>3,544</b>  |
| Operating expense        | (786)         | 214           | (61)          | (572)         | (389)         | (683)         | (691)         |
| <b>Operating Profit</b>  | <b>3,352</b>  | <b>3,694</b>  | <b>1,464</b>  | <b>1,123</b>  | <b>1,569</b>  | <b>1,778</b>  | <b>2,853</b>  |
| Other income             | (993)         | (905)         | (1,154)       | (926)         | (1,553)       | (1,266)       | (1,997)       |
| taxes                    | (285)         | (168)         | 12            | 18            | 32            | (2)           | 4             |
| Minority interest        | (343)         | (336)         | (137)         | (97)          | (6)           | (64)          | (108)         |
| <b>Net Profit</b>        | <b>1,730</b>  | <b>2,285</b>  | <b>186</b>    | <b>118</b>    | <b>42</b>     | <b>446</b>    | <b>752</b>    |
| EPS                      | 193           | 255           | 21            | 13            | 5             | 50            | 84            |
| <b>EBITDA</b>            | <b>3,623</b>  | <b>4,194</b>  | <b>2,046</b>  | <b>2,210</b>  | <b>2,500</b>  | <b>3,365</b>  | <b>4,182</b>  |

Balance Sheet (IDR.bn)

| Balance sheet (IDR.in bn)                       | 2018 A           | 2019 A           | 2020 A           | 2021 A           | 2022 F           | 2023 F           | 2024 F           |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Current Asset</b>                            |                  |                  |                  |                  |                  |                  |                  |
| <b>Cash and cash equivalent</b>                 | 13973.77         | 10346.73         | 14951.76         | 6983.87          | 2779.17          | 5163.20          | 2290.83          |
| Trade Account Receivable                        | 5350.84          | 4461.90          | 2175.55          | 2266.83          | 2980.47          | 3746.26          | 5295.40          |
| inventory                                       | 5978.53          | 6854.73          | 9813.05          | 10934.22         | 13710.17         | 14985.06         | 16768.76         |
| Other current asset                             | 18252.36         | 20672.11         | 21040.58         | 17001.71         | 20887.14         | 26253.82         | 27703.76         |
| <b>Current Asset</b>                            | <b>43,555</b>    | <b>42,335</b>    | <b>47,981</b>    | <b>37,187</b>    | <b>40,357</b>    | <b>50,148</b>    | <b>52,059</b>    |
| <b>Non Current Asset</b>                        |                  |                  |                  |                  |                  |                  |                  |
| Net Fixed Asset                                 | 4,675.68         | 5,154.53         | 5,026.01         | 8,832.86         | 9,833.35         | 12,144.18        | 15,787.44        |
| other long term asset                           | 677.61           | 1,022.51         | 1,175.32         | 1,644.32         | 1,740.59         | 1,914.34         | 1,932.82         |
| LT investment and receivables                   | 10,321.21        | 13,598.33        | 13,926.91        | 21,721.98        | 23,933.18        | 21,878.18        | 27,381.62        |
| <b>Total non current Asset</b>                  | <b>15,674.51</b> | <b>19,775.38</b> | <b>20,128.24</b> | <b>32,199.16</b> | <b>35,507.12</b> | <b>35,936.71</b> | <b>45,101.88</b> |
| <b>Total Asset</b>                              | <b>59,230.00</b> | <b>62,110.85</b> | <b>68,109.19</b> | <b>69,385.79</b> | <b>75,864.07</b> | <b>86,085.04</b> | <b>97,160.62</b> |
| <b>Current Liabilities</b>                      |                  |                  |                  |                  |                  |                  |                  |
| AP  | 13,183.37        | 12,762.37        | 14,241.49        | 12,824.15        | 11,921.88        | 17,232.81        | 23,829.29        |
| Short Term bank loans                           | 4,200.03         | 5,108.85         | 15,363.35        | 14,089.95        | 16,667.52        | 16,654.18        | 16,640.86        |
| Other Current liabilities                       | 10,868.55        | 12,478.24        | 14,563.63        | 10,055.47        | 10,878.72        | 13,673.86        | 18,039.66        |
| <b>Total current liabilities</b>                | <b>28,251.95</b> | <b>30,349.46</b> | <b>44,168.47</b> | <b>36,969.57</b> | <b>39,468.12</b> | <b>47,560.86</b> | <b>58,509.81</b> |
| <b>Non Current Liabilities</b>                  |                  |                  |                  |                  |                  |                  |                  |
| Long term loans bank                            | 2,793.91         | 1,373.42         | 1,367.70         | 4,186.19         | 4,730.85         | 5,203.94         | 5,724.33         |
| MTN   | 6,084.62         | 7,351.87         | 1,789.41         | 545.00           | 545.00           | 545.00           | 545.00           |
| Bond  |                  |                  | 1,491.23         | 5,706.29         | 7,462            | 7,462            | 7,462            |
| Sukuk   |                  |                  | 500.00           | 1,750.00         | 2,500            | 2,500            | 2,500            |
| Other Long term liabilities                     | 4,884.21         | 3,820.36         | 2,134.95         | 2,793.67         | 3,698.76         | 4,922.59         | 3,865.64         |
| <b>Total long term/ non current liabilities</b> | <b>13,762.74</b> | <b>12,545.66</b> | <b>7,283.29</b>  | <b>14,981.15</b> | <b>18,936.22</b> | <b>20,633.13</b> | <b>20,096.57</b> |
| <b>Total Liabilities</b>                        | <b>42,014.69</b> | <b>42,895.11</b> | <b>51,451.76</b> | <b>51,950.72</b> | <b>58,404.34</b> | <b>68,193.99</b> | <b>78,606.38</b> |
| <b>Total Equities</b>                           | <b>17,215.31</b> | <b>19,215.73</b> | <b>16,657.43</b> | <b>17,435.08</b> | <b>17,459.73</b> | <b>17,891.05</b> | <b>18,554.24</b> |
| <b>Total Liabilities and equity</b>             | <b>59,230.00</b> | <b>62,110.85</b> | <b>68,109.19</b> | <b>69,385.79</b> | <b>75,864.07</b> | <b>86,085.04</b> | <b>97,160.62</b> |

**Cashflow (IDR.bn)**

| Cash Flow (IDR.bn)                    | 2018 A         | 2019 A         | 2020 A         | 2021 A          | 2022 F         | 2023 F         | 2024 F          |
|---------------------------------------|----------------|----------------|----------------|-----------------|----------------|----------------|-----------------|
| + Net Income                          | 1,730          | 2,285          | 186            | 118             | 42             | 446            | 752             |
| +Depreciation                         | 292            | 520            | 515            | 856             | 1,135          | 1,475          | 1,918           |
| - Change in WC                        | (3,649)        | (310)          | 12,779         | (4,372)         | (4,876)        | 685            | 6,166           |
| <b>Cash From Operating Activities</b> | <b>(1,627)</b> | <b>2,496</b>   | <b>13,479</b>  | <b>(3,398)</b>  | <b>(3,700)</b> | <b>2,606</b>   | <b>8,836</b>    |
| capex (fixed asset)                   | (1,035)        | (999)          | (386)          | (4,663)         | (2,135)        | (3,786)        | (5,561)         |
| Other non current asset               | (4,157)        | (3,622)        | (481)          | (8,264)         | (2,307)        | 1,881          | (5,522)         |
| <b>cash from investing activities</b> | <b>(5,193)</b> | <b>(4,621)</b> | <b>(868)</b>   | <b>(12,927)</b> | <b>(4,443)</b> | <b>(1,905)</b> | <b>(11,083)</b> |
| Long term loans bank                  | 1,783          | (1,420)        | (6)            | 2,818           | 545            | 473            | 520             |
| Medium term loan                      | 5,085          | 1,267          | (5,562)        | (1,244)         | 0              | 0              | 0               |
| Bond                                  | 0              | 0              | 1,491          | 4,215           | 1,755          | 0              | 0               |
| Sukuk                                 | 0              | 0              | 500            | 1,250           | 750            | 0              | 0               |
| Other Long term liabilities           | 1,819          | (1,064)        | (1,685)        | 659             | 905            | 1,224          | (1,057)         |
| Equity                                | 853            | (285)          | (2,744)        | 660             | (17)           | (15)           | (89)            |
| <b>cash from financing activities</b> | <b>9,540</b>   | <b>(1,502)</b> | <b>(8,006)</b> | <b>8,358</b>    | <b>3,938</b>   | <b>1,682</b>   | <b>(626)</b>    |
| Net Changes in Cash                   | 2,720          | (3,627)        | 4,605          | (7,968)         | (4,205)        | 2,384          | (2,872)         |
| <b>Beginning Balance</b>              | <b>11,254</b>  | <b>13,974</b>  | <b>10,347</b>  | <b>14,952</b>   | <b>6,984</b>   | <b>2,779</b>   | <b>5,163</b>    |
| <b>Ending balance</b>                 | <b>13,974</b>  | <b>10,347</b>  | <b>14,952</b>  | <b>6,984</b>    | <b>2,779</b>   | <b>5,163</b>   | <b>2,291</b>    |

**Ratio Highlights**

| Rasio Highlights           | 2018 A | 2019 A  | 2020 A  | 2021 A  | 2022 F  | 2023 F  | 2024 F |
|----------------------------|--------|---------|---------|---------|---------|---------|--------|
| <b>Growth (% YoY)</b>      |        |         |         |         |         |         |        |
| Revenue                    | 19.03% | -12.66% | -39.23% | 7.70%   | 22.17%  | 25.69%  | 17.79% |
| OP                         | 20.91% | 10.21%  | -60.37% | -23.29% | 39.72%  | 13.31%  | 60.47% |
| EBITDA                     | 48.17% | 15.76%  | -51.20% | 8.01%   | 13.09%  | 34.61%  | 24.30% |
| NP                         | 43.94% | 32.06%  | -91.87% | -36.66% | -64.32% | 962.13% | 68.72% |
| EPS                        | 43.94% | 32.06%  | -91.87% | -36.66% | -64.32% | 962.13% | 68.72% |
| <b>Profitabilitas</b>      |        |         |         |         |         |         |        |
| Operating Margin(%)        | 10.76% | 13.58%  | 8.85%   | 6.31%   | 7.21%   | 6.50%   | 8.86%  |
| EBITDA margin(%)           | 11.63% | 15.41%  | 12.38%  | 12.41%  | 11.49%  | 12.30%  | 12.98% |
| NET Profit margin(%)       | 5.55%  | 8.40%   | 1.12%   | 0.66%   | 0.19%   | 1.63%   | 2.34%  |
| ROA(%)                     | 2.92%  | 3.68%   | 0.27%   | 0.17%   | 0.06%   | 0.52%   | 0.77%  |
| ROE(%)                     | 10.05% | 11.89%  | 1.12%   | 0.67%   | 0.24%   | 2.49%   | 4.06%  |
| <b>Liquiditas</b>          |        |         |         |         |         |         |        |
| Current ratio (X)          | 1.54   | 1.39    | 1.09    | 1.01    | 1.02    | 1.05    | 0.89   |
| cash ratio (x)             | 0.49   | 0.34    | 0.34    | 0.19    | 0.07    | 0.11    | 0.04   |
| <b>Stabilitas</b>          |        |         |         |         |         |         |        |
| Debt/ Equity               | 0.76   | 0.72    | 1.23    | 1.51    | 1.83    | 1.81    | 1.77   |
| <b>Per Share data (Rp)</b> |        |         |         |         |         |         |        |
| EPS                        | 192.9  | 254.7   | 20.7    | 13.1    | 4.7     | 49.7    | 83.9   |
| BVS                        | 1,631  | 1,919   | 2,142   | 1,857   | 1,944   | 1,946   | 1,995  |

**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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