



BUY

Investment Consideration

Targeting steady growth

Based on WIKA guidance, and due to the unfavourable economic conditions this year, we estimate the 2020F total order book will be IDR 120 trn, down from an until target of IDR 145 trn. In 2019, WIKA booked total new contracts of IDR. 41,18 trn which is 67% of their initial annual target of IDR. 61.7 trn. Of the total new contracts in 2019, about 58,6% come from the infrastructure and building sector followed by Energy & Industrial Plants, 22,6%, Industry, 14% and Property & Realty, 4,7%. As of 2M20, WIKA has received total new contracts of IDR 1,45 trn which is 2,21% of their initial target of IDR 65,5 trn. Of the total new contract 8,39% come from industry (mostly their subsidiaries), 6,01% come from property, followed by 1,13% from infrastructure and building. WIKA is expecting their 2020F new contracts will come from SOEs, 37,35%, private, 24,92%, Govt, 17,82%, Investment, 12,67% and Overseas business, 7,24%. Looking beyond the current corona virus outbreak, WIKA is relying on three large infrastructure projects this year to drive growth. The three projects are the construction of the Jakarta-Bandung High Speed Railway, the construction of the Harbor Road II toll road (Wiyoto Wiyono toll road section) and the Padang-Pekanbaru toll road which is a part of the Trans Sumatra. This year growth will be slow but steady. We believe this current condition if it lasts longer than expected will affect WIKA's new contracts but the company will still have the carry over contracts in the order book for 2020.

Toll road progress

Based on 3M20, the progress of WIKA's large toll road projects is as follows: Cengkareng – Kunciran toll road worth IDR 2,48 trn has reached 80,22% completion. Serang – Panimbang toll road worth IDR. 3,31 trn has reached 59,30% completion. High Speed Railway Jakarta –Bandung with 4 stations and 1 depot worth IDR 15,68 trn has reached 47,46% completion.

Valuation: significant upside, BUY

Using a WACC of 9,1%, we have a target price within one year of IDR. 2170 or trading at 6,9x PER which gives significant potential upside, BUY.

Profit and Loss

(IDR.bn)	2016A	2017A	2018A	2019A	2020F	2021F
Revenue	15.669	26.176	31.158	27.213	30.038	36.581
Cost of revenues (13.442)	(23.300)	(27.553)	(23.733)	(26.196)	(31.902)	
Gross Profit	2.227	2.876	3.605	3.480	3.841	4.678
Profit (Loss) JV	379	573	533	0	653	795
Operating expense	(527)	(677)	(786)	214	(300)	(366)
Operating Profit	2.079	2.772	3.352	3.694	4.194	5.107
Other income	(849)	(1.310)	(993)	(905)	(1.279)	(1.597)
taxes	(83)	(106)	(285)	(168)	(270)	(329)
Minority interest	(135)	(154)	(343)	(336)	(285)	(342)
Net Profit	1.012	1.202	1.730	2.285	2.360	2.839
EPS	113	134	193	255	263	316
EBITDA	1.898	2.445	3.623	4.194	4.468	5.738

14 April 2020
Construction, Equity

Price **IDR . 1075**
Target Price **IDR. 2170**
JKSE Index **4623,89**



Stock Code **WIKAJA**
Bloomberg code **WIKA J**
Market cap (IDR.bn) **9866.9**
52-Week High (IDR) **2500**
52-Week Low (IDR) **675**
6-m Avg Daily. Val (IDR) **2188**
Free Float (%) **34.95**

Major Shareholders (%)
Government RI **65.05%**
Public **34.34%**

USD/IDR-YE
2019A **13866**
2020F (Avg) **15800**

Key Indicators
Debt/ Equity (x) **0.72**
Current ratio (x) **1.45**

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

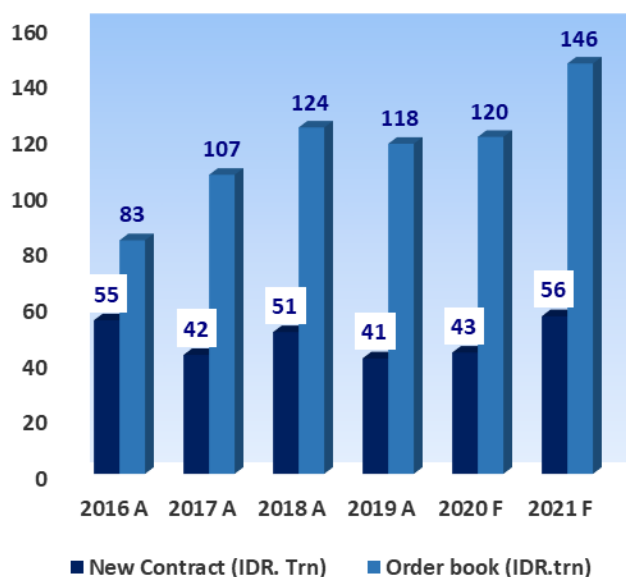


Chart: New contract based on project owner (%)

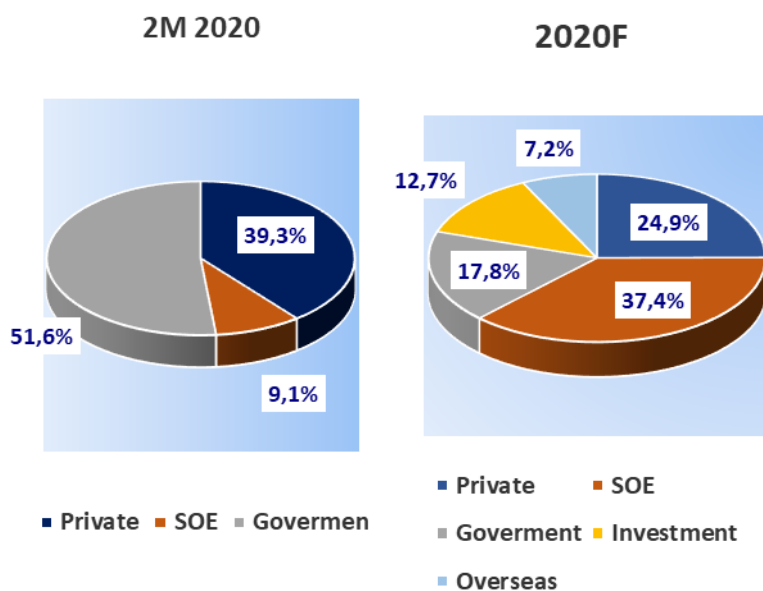


Chart: New contract based on business segment

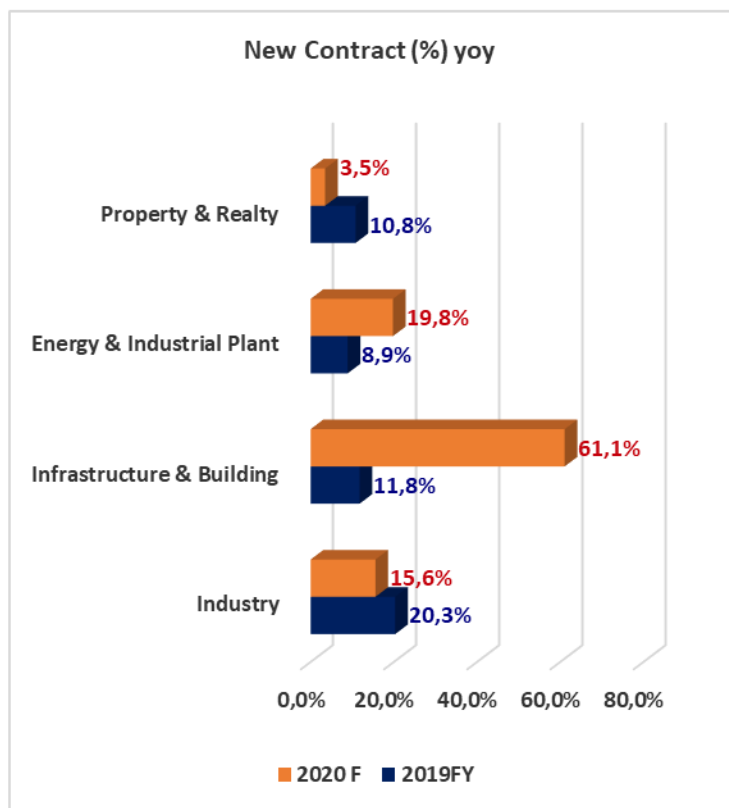
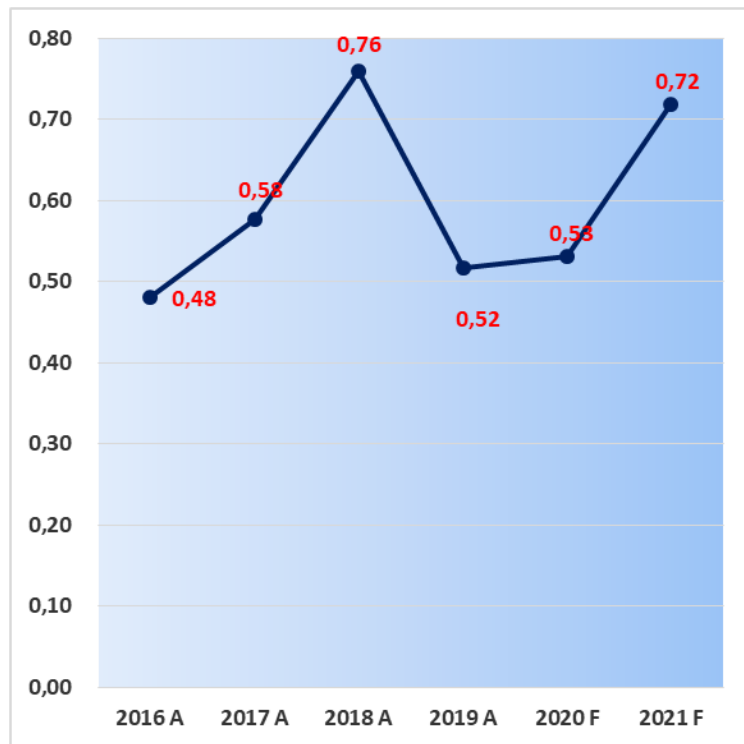


Chart: Debt to equity (x) yoy



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Balance Sheet (IDR.bn)

Balance sheet (IDR.in bn)	2016A	2017A	2018A	2019A	2020F	2021F
Current Asset						
Cash and cash equivalent	9270,00	11253,78	13973,77	10346,73	11715,20	13560,00
Trade Account Receivable	3751,10	4930,15	5350,84	4461,90	5019,97	6915,22
inventory	1247,71	1663,04	5978,53	6854,73	7105,28	9177,42
Other current asset	7283,69	17063,14	18252,36	20672,11	21326,64	20338,76
Current Asset	21.552,50	34.910	43.555	42.335	45.167	49.991
Non Current Asset						
Net Fixed Asset	3.465,84	3.932,11	4.675,68	5.154,53	6.700,89	8.711,16
other long term asset	111,55	242,40	697,61	1.022,51	1.128,64	1.374,49
LT investment and receivables	5.966,64	6.599,16	10.301,21	13.598,33	16.520,63	18.290,25
Total non current Asset	9.544,04	10.773,67	15.674,51	19.775,38	24.350,17	28.375,91
Total Asset	31.096,54	45.683,77	59.230,00	62.110,85	69.517,26	78.367,31
Current Liabilities						
AP	4.680,24	8.924,99	13.183,37	12.762,37	12.200,98	12.848,39
Short Term bank loans	4.711,83	6.423,85	4.200,03	1.220,56	1.221,06	3.221,06
Other Current liabilities	5.214,09	10.626,78	10.868,55	16.366,52	19.824,76	18.290,25
Total current liabilities	14.606,16	25.975,62	28.251,95	30.349,46	33.246,81	34.359,71
Non Current Liabilities						
Long term loans bank	313,81	1.011,21	2.793,91	1.373,42	2.873,42	5.873,42
MTN	975,00	1.000,00	6.084,62	7.351,87	7.351,87	8.351,87
Other Long term liabilities	2.702,85	3.065,12	4.884,21	3.820,36	4.505,63	5.487,08
Total long term/ non current liabilities	3.991,66	5.076,33	13.762,74	12.545,66	14.730,92	19.712,37
Total Liabilities	18.597,82	31.051,95	42.014,69	42.895,11	47.977,73	54.072,08
Total Equities	12.498,72	14.631,82	17.215,31	19.215,73	21.539,53	24.295,23
Total Liabilities and equity	31.096,54	45.683,77	59.230,00	62.110,85	69.517,26	78.367,31

Cashflow (IDR.bn)

Cash Flow (IDR.bn)	2016 A	2017 A	2018 A	2019 A	2020 F	2021 F
+ Net Income	1.012	1.202	1.730	2.285	2.360	2.839
+Depreciation	283	547	292	520	618	803
- Change in WC	1.726	-4	-3.649	-310	1.434	-1.867
Cash From Operating Activities	3.022	1.744	-1.627	2.496	4.412	1.775
capex (fixed asset)	-565	-1.013	-1.035	-999	-2.164	-2.813
Other non current asset	-2.220	-763	-4.157	-3.622	-3.028	-2.015
cash from investing activities	-2.785	-1.776	-5.193	-4.621	-5.193	-4.829
Long term loans bank	-357	697	1.783	-1.420	1.500	3.000
Medium term loan	0	25	5.085	1.267	0	1.000
Other Long term liabilities	782	362	1.819	-1.064	685	981
Equity	6.049	931	853	-285	-37	-83
cash from financing activities	6.474	2.016	9.540	-1.502	2.149	4.898
Net Changes in Cash	6.710	1.984	2.720	-3.627	1.368	1.845
Beginning Balance	2.560	9.270	11.254	13.974	10.347	11.715
Ending balance	9.270	11.254	13.974	10.347	11.715	13.560

Ratio Highlights

Rasio Highlights	2016 A	2017 A	2018 A	2019 A	2020 F	2021 F
Growth (% YoY)						
Sales	15,04%	67,06%	19,03%	-12,66%	10,38%	21,78%
OP	37,33%	33,35%	20,91%	10,21%	13,52%	21,78%
EBITDA	8,98%	28,81%	48,17%	15,76%	6,53%	28,43%
NP	61,88%	18,80%	43,94%	32,06%	3,30%	20,27%
EPS	10,98%	18,80%	43,94%	32,06%	3,30%	20,27%
Profitabilitas						
Operating Margin(%)	13,27%	10,59%	10,76%	13,58%	13,96%	13,96%
EBITDA margin(%)	12,12%	9,34%	11,63%	15,41%	14,87%	15,69%
NET Profit margin(%)	6,46%	4,59%	5,55%	8,40%	7,86%	7,76%
ROA(%)	3,25%	2,63%	2,92%	3,68%	3,40%	3,62%
ROE(%)	8,10%	8,22%	10,05%	11,89%	10,96%	11,68%
Liquiditas						
Current ratio (X)	1,48	1,34	1,54	1,39	1,36	1,45
cash ratio (x)	0,63	0,43	0,49	0,34	0,35	0,39
Stabilitas						
Debt/ Equity	0,48	0,58	0,76	0,52	0,53	0,72
Per Share data (Rp)						
EPS	112,8	134,0	192,9	254,7	263,1	316,5
BVS	606	1.393	1.631	1.919	2.142	2.401

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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