

Investment Consideration

Double digit growth in order book continues

WIKA is targeting a total order book for 2019 of IDR. 145 trillion or 17% YoY growth. As of 1H19, WIKA has booked total new contracts of IDR. 15.23 trillion which is 24.67% of their annual target IDR. 61.7 trn. Total new contracts for infrastructure and buildings in 1H19 were lower compared to 1H18 due to the political situation. This led WIKA to focus on speeding up work on the HSR project (High Speed Railway) Jakarta to Bandung during 1H19. HSR current construction progress reached 23.76% by July 2019 and land clearance has reached 96.20%. Of the total new contracts in 1H19, about 39.24% come from the infrastructure and building sector followed by Energy & Industrial Plant, 39%, Industry, 17.6% and Property & Realty, 4.11%. WIKA is optimistic they can achieve the new contract target as WIKA seeks to get contracts in 2H19 from Mass Rapid Transit (MRT) and Light Rail Transit phase 2 projects, several toll road projects, harbour road phase 1, smelter, building projects, and power plant projects. We believe WIKA's YoY double digit order book growth will support future revenue growth as seen in the historical trend. We estimate 2019-2020F order book growth at 21% CAGR.

Harvesting payments

WIKA will receive payments from some of their turnkey or contractor pre financing (CPF) projects in 2H19 such as Balikpapan – Samarinda toll road. WIKA will receive payments of around 5.6 trillion in 3Q19 and 4Q19 that will improve their operating cash flow. WIKA will also receive other payments from other projects during 2H19.

Investment portfolio restructure

WIKA has received fresh funds of IDR. 715 billion from the divestment of a 20,34% ownership in Surabaya – Mojokerto toll road to ASTRA Infra. The divestment is part of their transformation to an investment business which focuses on optimizing recurring income. WIKA has set aside capex for 2019 of IDR. 18,19 trillion which will be focused on investments in energy and industrial plants, building and property, and infrastructure. Several projects are already in process.

Valuation: 27.1% upside, BUY

Based on a DCF, we have a target price within one year of IDR. 3000 or trading at 15.6x PER which gives 27.1% potential upside, BUY.

	Profit and Loss	(IDR.bn)	2016A	2017A	2018A	2019F	2020F	2021F
	Revenue		15,669	26,176	31,158	43,533	56,371	71,243
	Cost of revenues		(13,442)	(23,300)	(27,553)	(38,309)	(49,607)	(62,694)
	Gross Profit		2,227	2,876	3,605	5,224	6,765	8,549
	Profit (Loss) JV		379	573	533	888	1,150	1,453
	Gross profit after income from JV		2,606	3,449	4,138	6,112	7,915	10,003
	Operating expense		(527)	(677)	(786)	(1,306)	(1,691)	(2,137)
	Operating Profit		2,079	2,772	3,352	4,806	6,223	7,865
	Other income		(849)	(1,310)	(993)	(1,424)	(1,844)	(2,331)
	taxes		(83)	(106)	(285)	(392)	(507)	(641)
	Minority interest		(135)	(154)	(343)	(435)	(563)	(712)
	Net Profit		1,012	1,202	1,730	2,555	3,309	4,181
	EPS		113	134	193	285	369	466
	EBITDA		1,898	2,445	3,623	5,245	6,653	8,159

22 August 2019
Construction, Equity

Price **IDR. 2360**
Target Price **IDR. 3000**
JKSE Index **6252.97**



Stock Code
Bloomberg code **WIKA J**
Market cap (IDR.bn) **21169.1**
52-Week High (IDR) **2500**
52-Week Low (IDR) **1095**
6-m Avg Daily. Val (IDR) **2188**
Free Float (%) **34.95**

Major Shareholders (%)
Government RI **65.05%**
Public **34.95%**

USD/IDR-YE
2018A **14390**
2017F (6M Avg) **14245**

Key Indicators
Total Debt/ Equity (x) **2.64**
Current ratio (x) **1.42**

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Company Profile

PT.Wijaya Karya (Persero), Tbk (WIKI) was established on March 11, 1960 as one of the state-owned enterprises. Formed from the nationalization of a Dutch company, Naamloze Vennootschap Technische Handel Maatscappij en Bouwberijf Vies en Co (NV Vis en Co), the company was established under the name of Perusahaan Negara Bangunan Widjaja Karja with its business activities as installation of electricity and water pipes. WIKI kept innovating, growing and transformed into an integrated infrastructure company with a number of subsidiaries. In 2014, WIKI restructured its business segments into five pillars: Industry, Infrastructure and Building, Energy and Industrial Plants, Realty and Property, and Investment. Its Infrastructure and Building business segment remains the major contributor to total contracts. In its latest evolution, WIKI is focusing on developing sources of future recurring income from its Energy & Industrial Plant and Investment segments

Company Structure

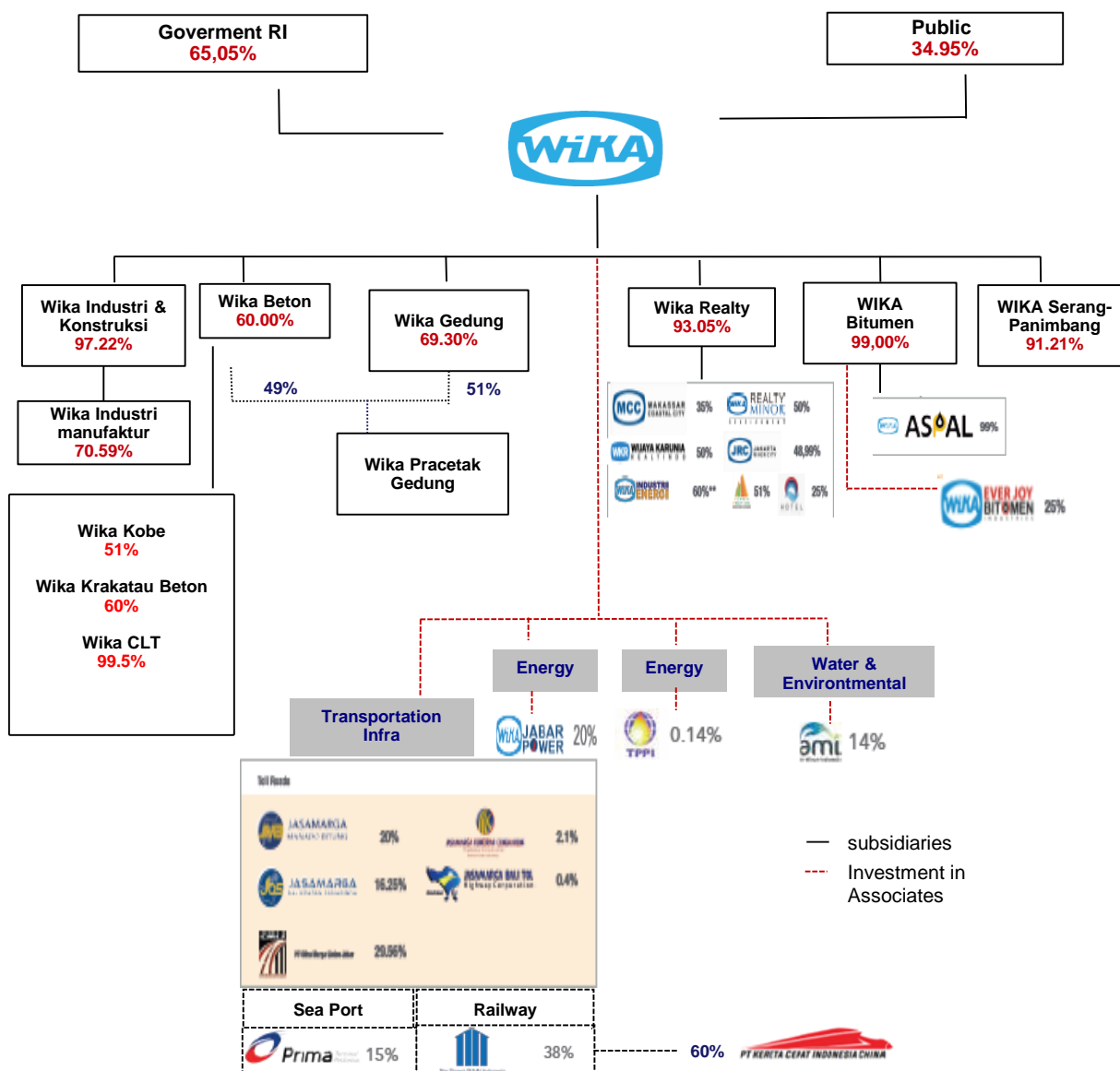


Chart: Total order book vs new contract (IDR. In trillion)

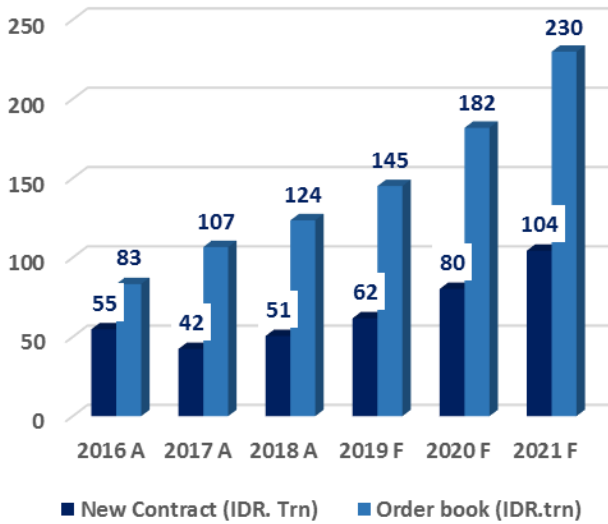


Chart: New contract based on project owner (%)

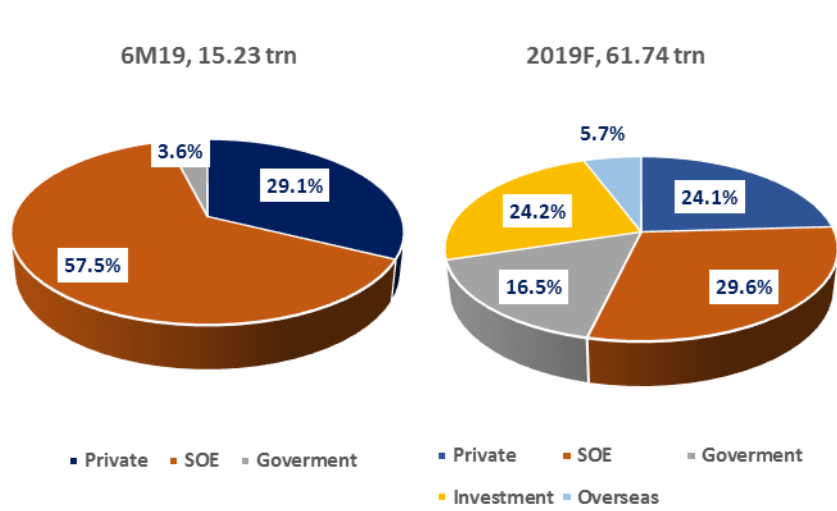


Chart: New contract based on business segment

New Contract percentage during 6M yoy

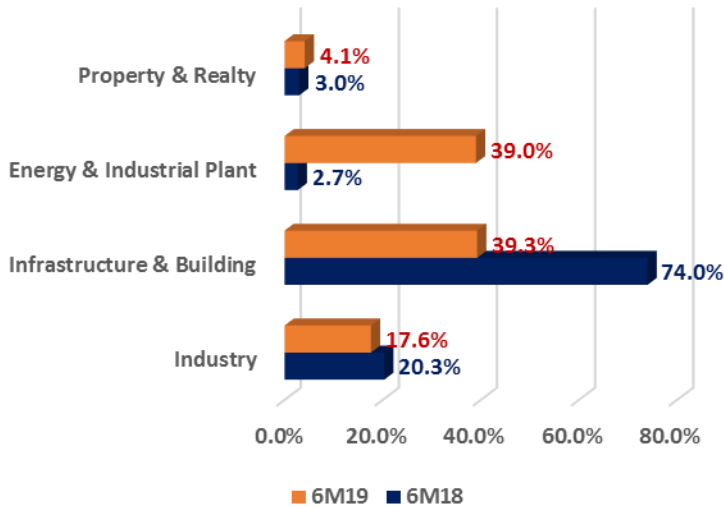
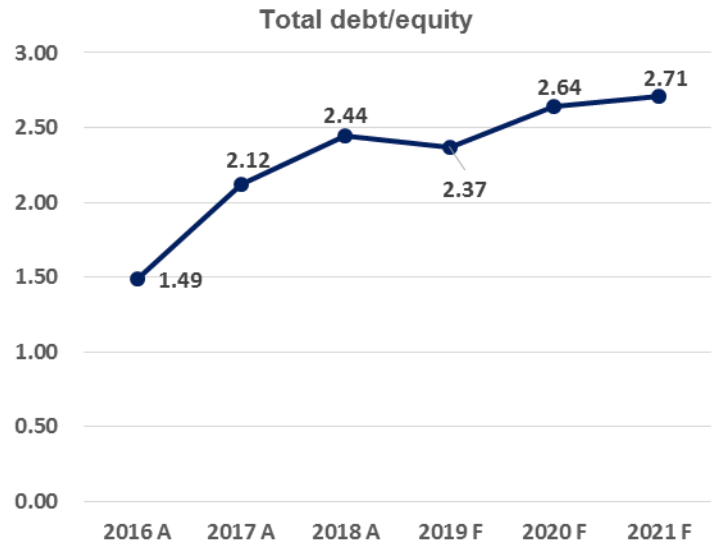


Chart: Total debt to equity (x) yoy



Profit and Loss (IDR.bn)

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Operating expense	(527)	(677)	(786)	(1,306)	(1,691)	(2,137)
Operating Profit	2,079	2,772	3,352	4,806	6,223	7,865
Other income	(849)	(1,310)	(993)	(1,424)	(1,844)	(2,331)
taxes	(83)	(106)	(285)	(392)	(507)	(641)
Minority interest	(135)	(154)	(343)	(375)	(485)	(614)
Net Profit	1,012	1,202	1,730	2,615	3,386	4,280
EPS	113	134	193	292	378	477
EBITDA	1,898	2,445	3,623	5,245	6,653	8,159

Balance Sheet (IDR.bn)

Balance sheet (IDR.in bn)	2016A	2017A	2018A	2019F	2020F	2021F
Current Asset						
Cash and cash equivalent	9270.00	11253.78	13973.77	10944.78	11856.37	13471.89
Trade Account Receivable	3751.10	4930.15	5350.84	5963.42	9266.51	13467.92
inventory	1247.71	1663.04	5978.53	5772.60	5436.36	6527.06
Other current asset	7283.69	17063.14	18252.36	21766.50	28185.65	35621.68
Current Asset	21,552.50	34,910	43,555	44,447	54,745	69,089
Non Current Asset						
Net Fixed Asset	3,465.84	3,932.11	4,675.68	5,363.38	7,597.98	9,497.47
other long term asset	111.55	242.40	677.61	946.73	1,225.94	1,549.37
LT investment and receivables	5,966.64	6,599.16	10,321.21	16,107.21	20,857.38	21,373.01
Total non current Asset	9,544.04	10,773.67	15,674.51	22,417.33	29,681.29	32,419.85
Total Asset	31,096.54	45,683.77	59,230.00	66,864.63	84,426.18	101,508.39
Current Liabilities						
AP	4,680.24	8,924.99	13,183.37	12,594.75	14,949.98	18,894.13
Short Term bank loans	4,711.83	6,423.85	4,200.03	7,429.13	9,429.13	11,429.13
Other Current liabilities	5,214.09	10,626.78	10,868.55	10,883.25	14,092.82	17,810.84
Total current liabilities	14,606.16	25,975.62	28,251.95	30,907.13	38,471.93	48,134.10
Non Current Liabilities						
Long term loans bank	313.81	1,011.21	2,793.91	4,819.00	7,819.00	8,819.00
MTN	975.00	1,000.00	6,084.62	6,495.91	6,495.91	6,495.91
Other Long term liabilities	2,702.85	3,065.12	4,884.21	4,788.63	8,455.69	10,686.50
Total long term/ non current liabilities	3,991.66	5,076.33	13,762.74	16,103.54	22,770.61	26,001.41
Total Liabilities	18,597.82	31,051.95	42,014.69	47,010.67	61,242.54	74,135.51
Total Equities	12,498.72	14,631.82	17,215.31	19,853.95	23,183.65	27,372.88
Total Liabilities and equity	31,096.54	45,683.77	59,230.00	66,864.63	84,426.18	101,508.39

Cashflow (IDR.bn)

Cash Flow (IDR.bn)	2016A	2017A	2018A	2019F	2020F	2021F
+ Net Income	1,012	1,202	1,730	2,615	3,386	4,280
+Depreciation	283	547	292	470	509	636
- Change in WC	1,726	(4)	(3,649)	(1,266)	(1,821)	(3,066)
Cash From Operating Activities	3,022	1,744	(1,627)	1,819	2,074	1,850
capex (fixed asset)	(565)	(1,013)	(1,035)	(1,157)	(2,743)	(2,535)
Other non current asset	(2,220)	(763)	(4,157)	(6,055)	(5,029)	(839)
cash from investing activities	(2,785)	(1,776)	(5,193)	(7,212)	(7,773)	(3,374)
Long term loans bank	(357)	697	1,783	2,025	3,000	1,000
Medium term loan	0	25	5,085	411	0	0
Other Long term liabilities	782	362	1,819	(96)	3,667	2,231
Equity	6,049	931	853	24	(57)	(90)
cash from financing activities	6,474	2,016	9,540	2,364	6,611	3,140
Net Changes in Cash	6,710	1,984	2,720	(3,029)	912	1,616
Beginning Balance	2,560	9,270	11,254	13,974	10,945	11,856
Ending balance	9,270	11,254	13,974	10,945	11,856	13,472

Ratio Highlights

Rasio Highlights	2016 A	2017 A	2018 A	2019 F	2020 F	2021 F
Growth (% YoY)						
Sales	15.04%	67.06%	19.03%	39.72%	29.49%	26.38%
OP	37.33%	33.35%	20.91%	43.38%	29.49%	26.38%
EBITDA	8.98%	28.81%	48.17%	44.78%	26.85%	22.63%
NP	61.88%	18.80%	43.94%	51.14%	29.49%	26.38%
EPS	10.98%	18.80%	43.94%	51.14%	29.49%	26.38%
Profitabilitas						
Operating Margin(%)	13.27%	10.59%	10.76%	11.04%	11.04%	11.04%
EBITDA margin(%)	12.12%	9.34%	11.63%	12.05%	11.80%	11.45%
NET Profit margin(%)	6.46%	4.59%	5.55%	6.01%	6.01%	6.01%
ROA(%)	3.25%	2.63%	2.92%	3.91%	4.01%	4.22%
ROE(%)	8.10%	8.22%	10.05%	13.17%	14.61%	15.63%
Liquiditas						
Current ratio (X)	1.476	1.344	1.542	1.438	1.423	1.435
cash ratio (x)	0.635	0.433	0.495	0.354	0.308	0.280
Stabilitas						
Tot debt/ Equity	1.49	2.12	2.44	2.37	2.64	2.71
Per Share data (Rp)						
EPS	112.8	134.0	192.9	291.5	377.5	477.1
BVS	606	1,393	1,631	1,919	2,213	2,585

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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