

25 April 2022
Construction, Equity

Price **IDR. 960**
Target Price **IDR. 2160**
JKSE Index **7225.61**



Stock Code WIKA IJ
Bloomberg code 8520
Market cap (IDR.bn) 1495
52-Week High (IDR) 1495
52-Week Low (IDR) 850
6-m Avg Daily. Val (IDR) 945
Free Float (%) 34.95

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

USD/IDR-YE
2021A 14278
2021F 14348

Key Indicators
Debt/ Equity (x) 1.22
Current ratio (x) 1.27

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Investment Consideration

Targeting IDR 42 trillion of new contracts

In 2021 WIKA has total new contracts worth IDR 26.8 trillion, an increase of +15% yoy bringing the total order book to IDR 88.12 trillion which is a decrease from IDR 98.09 trillion in 2020. Of the new contracts in 2021, 61.1% come from private companies, the Government is 21.1%, SOEs 13.9% while own investments are 3.7%. As of 2M22, WIKA has IDR 6.29 trillion of new contracts with a total order book of IDR 63.39 trillion. The new contracts come from the Government, 21.3%, SOEs 32.6%, private companies 26.3%, and own Investments 19.8%. WIKA is targeting total new contracts in 2022 of IDR 42 trillion or a 55% increase YoY and most 2022 revenues will be from infrastructure, building, industry, and EPC projects. We believe WIKA's focus this year will be to continue to maximize the progress of ongoing projects and accelerate the disbursement of receivables to boost cash flow.

Maintaining DER levels

WIKA's Debt to Equity (DER) ratio for 2021 is 1.51x. WIKA issued bonds and SUKUK worth IDR 2.5 trillion in Feb 2022. The new debt consisted of Sustainable Bonds II Wijaya Karya Phase II worth IDR 1.75 trillion and Sukuk Mudharabah Berkelanjutan II Wijaya Karya Phase II worth IDR 750 billion. All funds from bond issuance will be used for the payment of short-term debts. Meanwhile, the 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 1.59x in 2022. WIKA is working to improve cash flow to reduce future dependence on bank loans.

Valuation: significant upside, BUY

Using a WACC of 16%, we have a target price within one year of IDR 2,160 or trading at 11.2x PER which gives significant potential upside. We maintain our recommendation to BUY.

Profit and Loss							
(IDR.bn)	2018A	2019A	2020A	2021A	2022F	2023F	2024F
Revenue	31,158	27,213	16,536	17,810	22,186	28,277	33,641
Cost of revenues (27,553)	(23,733)	(15,012)	(16,115)	(19,855)	(25,306)	(30,106)	
Gross Profit	3,605	3,480	1,525	1,695	2,331	2,971	3,535
Operating expense	(786)	214	(61)	(572)	(397)	(707)	(721)
Operating Profit	3,352	3,694	1,464	1,123	1,934	2,265	2,814
Other income	(993)	(905)	(1,154)	(926)	(1,198)	(1,472)	(1,688)
taxes	(285)	(168)	12	18	33	(2)	5
Minority interest	(343)	(336)	(137)	(97)	(96)	(99)	(142)
Net Profit	1,730	2,285	186	118	673	691	988
EPS	193	255	21	13	75	77	110
EBITDA	3,623	4,194	2,046	2,210	3,053	3,478	4,283

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

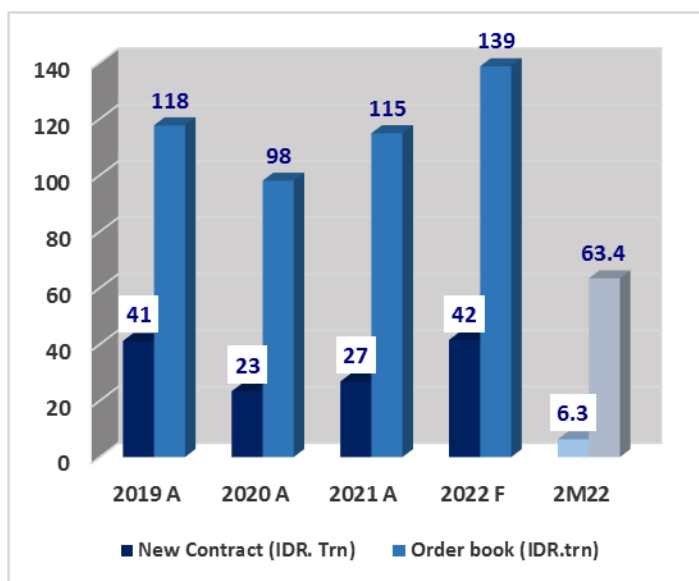


Chart: New contract based on project owner (%)

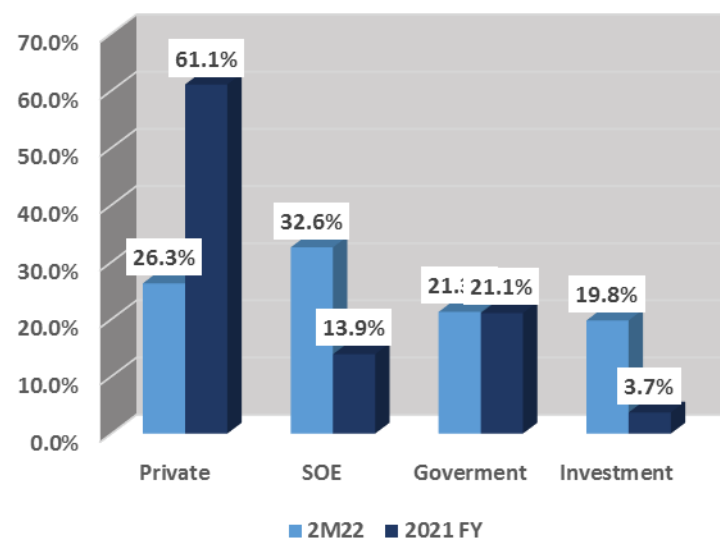


Chart: Debt to equity (x) yoy

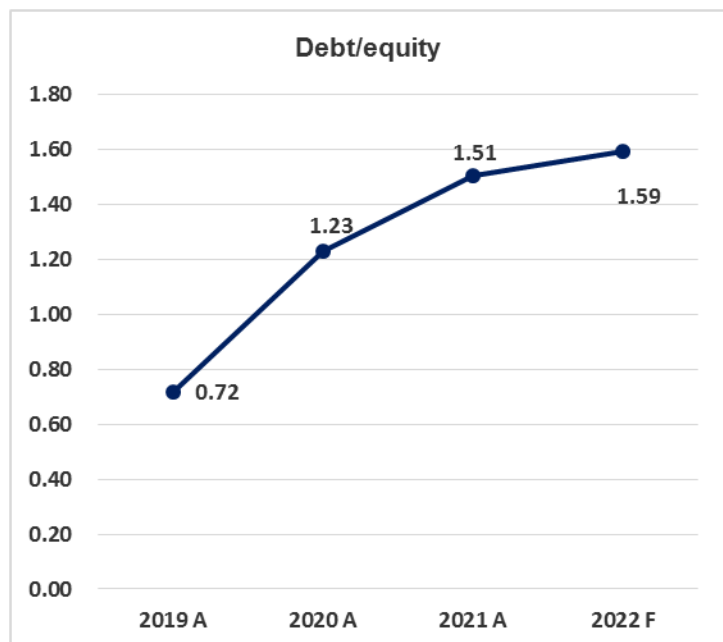
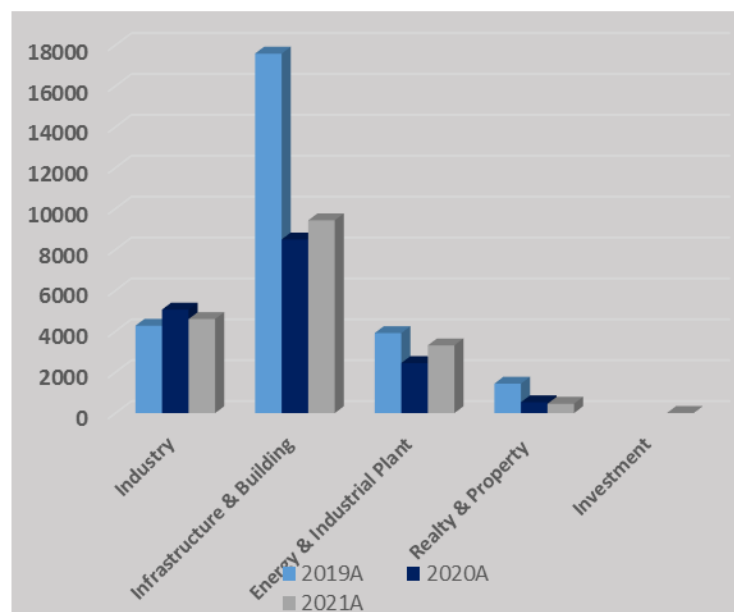


Chart: Revenue figures based on business sectors



Profit and Loss (IDR.bn)

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Balance Sheet (IDR.bn)

Balance sheet (IDR.in bn)	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Current Asset							
Cash and cash equivalent	13973.77	10346.73	14951.76	6983.87	11110.32	11184.33	10358.33
Trade Account Receivable	5350.84	4461.90	2175.55	2266.83	3039.22	3873.61	4608.42
inventory	5978.53	6854.73	9813.05	10934.22	13980.43	15494.44	16590.32
Other current asset	18252.36	20672.11	21040.58	17001.71	13311.80	16966.42	20184.89
Current Asset	43,555	42,335	47,981	37,187	41,442	47,519	51,742
Non Current Asset							
Net Fixed Asset	4,675.68	5,154.53	5,026.01	8,832.86	8,832.86	8,832.86	8,832.86
other long term asset	677.61	1,022.51	1,175.32	1,644.32	2,048.40	2,610.77	3,106.02
LT investment and receivables	10,321.21	13,598.33	13,926.91	21,721.98	22,186.33	22,621.89	23,549.03
Total non current Asset	15,674.51	19,775.38	20,128.24	32,199.16	33,067.60	34,065.52	35,487.92
Total Asset	59,230.00	62,110.85	68,109.19	69,385.79	74,509.37	81,584.32	87,229.88
Current Liabilities							
AP	13,183.37	12,762.37	14,241.49	12,824.15	12,156.89	15,494.44	18,433.69
Short Term bank loans	4,200.03	5,108.85	15,363.35	14,089.95	14,078.67	14,067.41	14,056.16
Other Current liabilities	10,868.55	12,478.24	14,563.63	10,055.47	11,093.17	12,724.81	15,138.66
Total current liabilities	28,251.95	30,349.46	44,168.47	36,969.57	37,328.73	42,286.67	47,628.51
Non Current Liabilities							
Long term loans bank	2,793.91	1,373.42	1,367.70	4,186.19	4,604.81	5,065.29	5,571.82
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	7,456	7,456	7,456
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	3,771.68	5,089.92	4,036.98
Total long term/ non current liabilities	13,762.74	12,545.66	7,283.29	14,981.15	18,877.77	20,656.50	20,110.08
Total Liabilities	42,014.69	42,895.11	51,451.76	51,950.72	56,206.51	62,943.17	67,738.59
Total Equities	17,215.31	19,215.73	16,657.43	17,435.08	18,302.86	18,641.15	19,491.29
Total Liabilities and equity	59,230.00	62,110.85	68,109.19	69,385.79	74,509.37	81,584.32	87,229.88

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	673	691	988
+Depreciation	292	520	515	856	1,135	1,475	1,918
- Change in WC	(3,649)	(310)	12,779	(4,372)	230	(1,045)	293
Cash From Operating Activities	(1,627)	2,496	13,479	(3,398)	2,038	1,121	3,199
capex (fixed asset)	(1,035)	(999)	(386)	(4,663)	(1,135)	(1,475)	(1,918)
Other non current asset	(4,157)	(3,622)	(481)	(8,264)	(868)	(998)	(1,422)
cash from investing activities	(5,193)	(4,621)	(868)	(12,927)	(2,003)	(2,473)	(3,340)
Long term loans bank	1,783	(1,420)	(6)	2,818	419	460	507
Medium term loan	5,085	1,267	(5,562)	(1,244)	0	0	0
Bond	0	0	1,491	4,215	1,750	0	0
Sukuk	0	0	500	1,250	750	0	0
Other Long term liabilities	1,819	(1,064)	(1,685)	659	978	1,318	(1,053)
Equity	853	(285)	(2,744)	660	195	(353)	(138)
cash from financing activities	9,540	(1,502)	(8,006)	8,358	4,091	1,426	(685)
Net Changes in Cash	2,720	(3,627)	4,605	(7,968)	4,126	74	(826)
Beginning Balance	11,254	13,974	10,347	14,952	6,984	11,110	11,184
Ending balance	13,974	10,347	14,952	6,984	11,110	11,184	10,358

Ratio Highlights

Rasio Highlights	2018 A	2019 A	2020 A	2021 A	2022 F	2023 F	2024 F
Growth (% YoY)							
Sales	19.03%	-12.66%	-39.23%	7.70%	24.57%	27.45%	18.97%
OP	20.91%	10.21%	-60.37%	-23.29%	72.26%	17.07%	24.25%
EBITDA	48.17%	15.76%	-51.20%	8.01%	38.14%	13.89%	23.17%
NP	43.94%	32.06%	-91.87%	-36.66%	471.88%	2.73%	42.98%
EPS	43.94%	32.06%	-91.87%	-36.66%	471.88%	2.73%	42.98%
Profitabilitas							
Operating Margin(%)	10.76%	13.58%	8.85%	6.31%	8.72%	8.01%	8.36%
EBITDA margin(%)	11.63%	15.41%	12.38%	12.41%	13.76%	12.30%	12.73%
NET Profit margin(%)	5.55%	8.40%	1.12%	0.66%	3.03%	2.44%	2.94%
ROA(%)	2.92%	3.68%	0.27%	0.17%	0.90%	0.85%	1.13%
ROE(%)	10.05%	11.89%	1.12%	0.67%	3.68%	3.71%	5.07%
Liquiditas							
Current ratio (X)	1.54	1.39	1.09	1.01	1.11	1.12	1.09
cash ratio (x)	0.49	0.34	0.34	0.19	0.30	0.26	0.22
Stabilitas							
Debt/ Equity	0.76	0.72	1.23	1.51	1.59	1.59	1.55
Per Share data (Rp)							
EPS	192.9	254.7	20.7	13.1	75.0	77.1	110.2
BVS	1,631	1,919	2,142	1,857	1,944	2,040	2,078

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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