

Investment Consideration

Targeting IDR 40 trillion of new contract

As of 11M20, WIKA has total new contracts of IDR 18,3 trillion, 86% of their revised target of IDR 21,38 trillion. Of the new contracts 23,34% come from industry (mostly their subsidiaries), 42,76% from infrastructure and building, 2,84% from property, and 31,06% from energy & industrial plants. WIKA is expecting their 2020F revised new contracts will come from SOEs, 44,79%, private, 22,59%, Govt, 27,30%, and Overseas businesses, 5,31%. As of 11M20, new contracts come from SOE 4,37%, private 60,35%, Government 34,93%. WIKA continues to expand their overseas market presence by securing projects to construct the Multipurpose Sports Complex in the Solomon Islands, which will host Pacific Games in 2023. Other major contracts obtained in 2020 are the construction of rotary kiln electric furnace (RKEF) nickel processing and refining plant production of 3 and 4 with a contract value of Rp 2.8 trillion and US\$ 180.39 million. WIKA also received a follow-up project to build the Serang-Panimbang toll road worth Rp 938 billion and the Ameroro Dam project in Southeast Sulawesi worth Rp 538 billion. In 2021, WIKA targets new contracts of IDR 40 trillion. Three projects are expected to be completed in 2021, including Taiwan's MRT Station Sanying Line, Construction & Commissioning (EPCC) TSL Furnace Ausmelt and EPX Ammonium Nitrate Project which is expected to be completed in 1H21 or 2H21. As of 1M2021, WIKA has obtained total new contracts of IDR 1 trillion consisting of 2 projects including the construction of an Army Soldier's office house in Yogyakarta worth IDR 603.35 billion. The second contract is from the WIKA Hutama Karya consortium which is the implementing contractor for the construction of Kretek II Bridge, Bantul, Yogyakarta worth IDR 364.6 billion. WIKA's share of ownership is 53%. We believe Wika's focus this year is to continue to achieve its target by maximizing the progress of ongoing projects and accelerating the disbursement of receivables to boost cash flow.

Maintaining DER levels

Wika's Debt to Equity (DER) ratio for 3Q20 was 1,01x compared to Q2 2020 0,77x. Equity has decreased by IDR 19.2 trn in 2019FY to IDR 16.2 trn in 9M20. This decrease in equity is due to the impact of the implementation of PSAK 71, 72 and 73 which increased Impairment Loss Reserves (CKPN). WIKA is working to recover the impairment expenses and improve cash flow so as to reduce future dependence on bank loans. We estimate our DER 2020 and 2021 to average 1,05x

Valuation: 28% upside, BUY

Using a WACC of 9,6%, we have a target price within one year of IDR. 2430 or trading at 17,6x PER which gives 28% potential upside, maintain BUY.

Profit and Loss

(IDR.bn)	2016A	2017A	2018A	2019A	2020F	2021F
Revenue	15.669	26.176	31.158	27.213	16.008	22.366
Cost of revenues	(13.442)	(23.300)	(27.553)	(23.733)	(14.407)	(19.682)
Gross Profit	2.227	2.876	3.605	3.480	1.601	2.684
Profit (Loss) JV	379	573	533	0	272	456
Operating expense	(527)	(677)	(786)	214	(160)	(224)
Operating Profit	2.079	2.772	3.352	3.694	1.713	2.917
Other income	(849)	(1.310)	(993)	(905)	(1.197)	(1.277)
taxes	(83)	(106)	(285)	(168)	(144)	(201)
Minority interest	(135)	(154)	(343)	(336)	(78)	(204)
Net Profit	1.012	1.202	1.730	2.285	293	1.234
EPS	113	134	193	255	33	138
EBITDA	1.898	2.445	3.623	4.194	2.033	3.527

5 Feb 2021
Construction, Equity

Price IDR. 1895
Target Price IDR. 2430
JKSE Index 6107,22



Stock Code
Bloomberg code WIKA IJ
Market cap (IDR.bn) 17610
52-Week High (IDR) 2450
52-Week Low (IDR) 675
6-m Avg Daily. Val (IDR) 2188
Free Float (%) 34.95

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

USD/IDR-YE
2020A 14070
2021F 14005

Key Indicators
Debt/ Equity (x) 2.34
Current ratio (x) 1.06

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

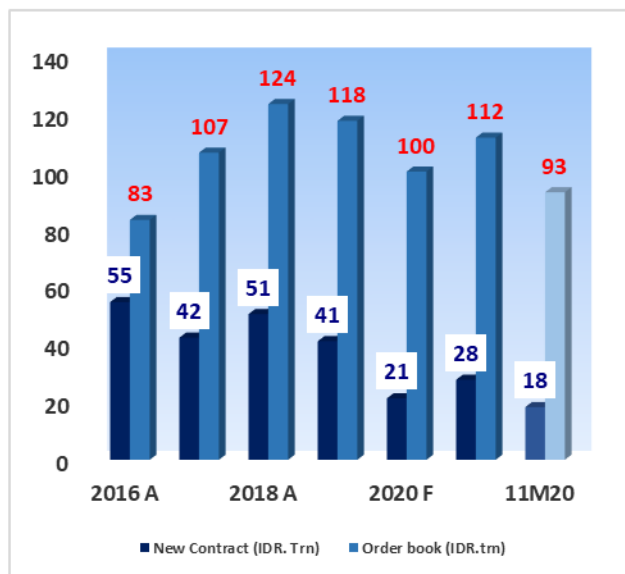


Chart: New contract based on project owner (%)

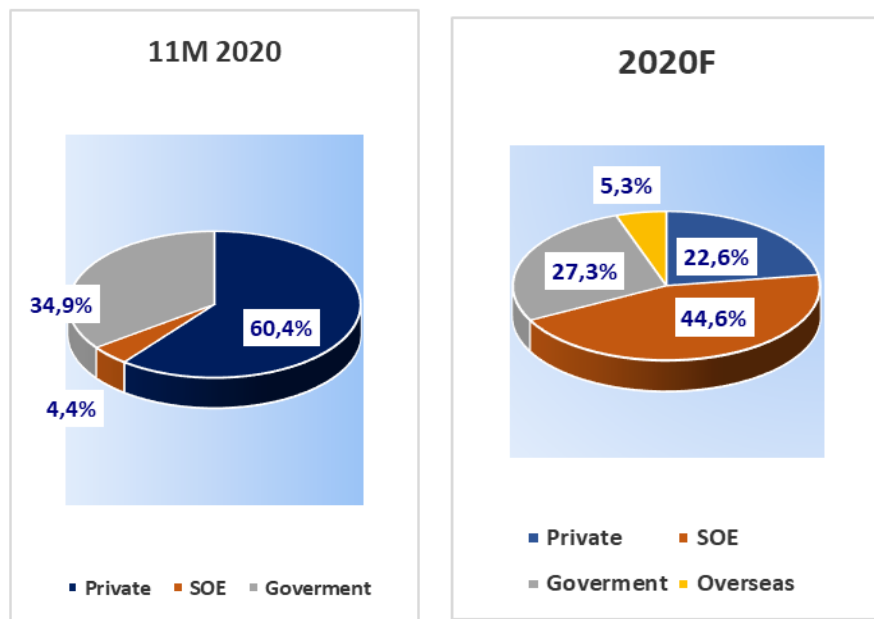


Chart: New contract 2020 based on business segment

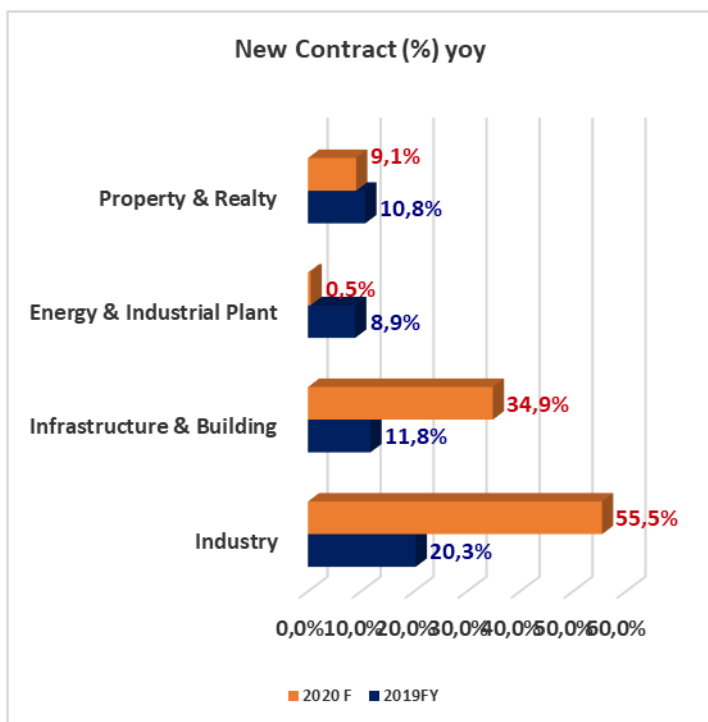
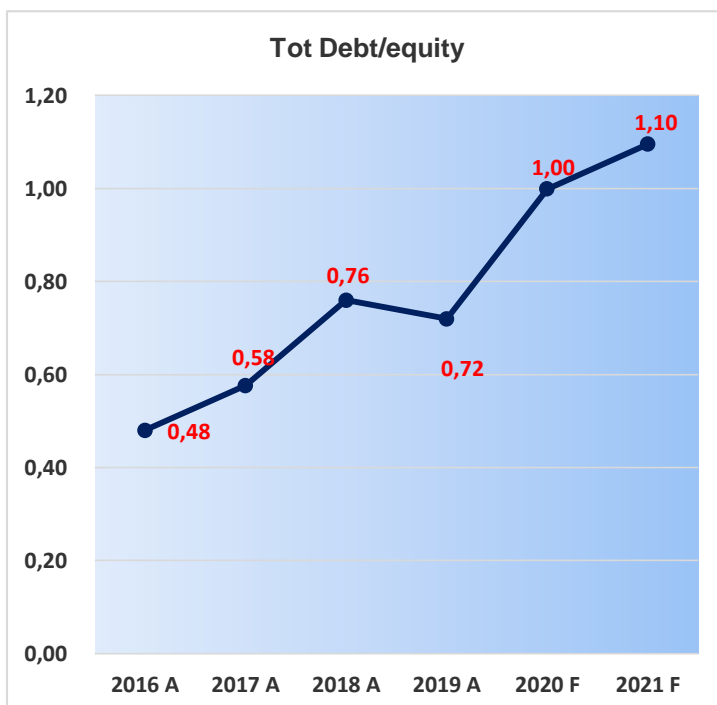


Chart: Debt to equity (x) yoy



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Profit (Loss) JV	379	573	533	0	272	456
Operating expense	(527)	(677)	(786)	214	(160)	(224)
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Other income	(849)	(1.310)	(993)	(905)	(1.197)	(1.277)
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Minority interest	(135)	(154)	(343)	(336)	(78)	(204)
Net Profit	1.012	1.202	1.730	2.285	293	1.234
EPS	113	134	193	255	33	138
EBITDA	1.898	2.445	3.623	4.194	2.033	3.527

Balance Sheet (IDR.bn)

Balance sheet (IDR.in bn)	2016A	2017A	2018A	2019A	2020F	2021F
Current Asset						
Cash and cash equivalent	9.270	11.254	13.974	10.347	7.267	6.992
Trade Account Receivable	3.751	4.930	5.351	4.462	4.123	5.821
inventory	1.248	1.663	5.979	6.855	10.894	8.089
Other current asset	7.284	17.063	18.252	20.672	16.008	22.366
Current Asset	21.552	34.910	43.555	42.335	38.293	43.268
Non Current Asset						
Net Fixed Asset	3.466	3.932	4.676	5.155	5.527	5.871
other long term asset	112	242	698	1.023	960	1.118
LT investment and receivables	5.967	6.599	10.301	13.598	16.969	17.222
Total non current Asset	9.544	10.774	15.675	19.775	23.456	24.211
Total Asset	31.097	45.684	59.230	62.111	61.749	67.479
Current Liabilities						
AP	4.680	8.925	13.183	12.762	10.658	10.785
Short Term bank loans	4.712	6.424	4.200	5.109	12.474	14.474
Other Current liabilities	5.214	10.627	10.869	12.478	16.008	17.893
Total current liabilities	14.606	25.976	28.252	30.349	39.140	43.151
Non Current Liabilities						
Long term loans	314	1.011	2.794	1.373	1.296	1.291
Medium term loans	975	1.000	6.085	7.352	1.763	2.763
Other Long term liabilities	2.703	3.065	4.884	3.820	4.002	3.355
Total long term/ non current liabilities	3.992	5.076	13.763	12.546	7.062	7.409
Total Liabilities	18.598	31.052	42.015	42.895	46.201	50.561
Total Equities	12.499	14.632	17.215	19.216	15.548	16.918
Total Liabilities and equity	31.097	45.684	59.230	62.111	61.749	67.479

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	286	1.234
+Depreciation	283	547	292	520	453	578
- Change in WC	1.726	-4	-3.649	-310	9.753	-1.239
Cash From Operating Activities	3.022	1.744	-1.627	2.496	10.492	573
capex (fixed asset)	-565	-1.013	-1.035	-999	-825	-922
Other non current asset	-2.220	-763	-4.157	-3.622	-3.308	-411
cash from investing activities	-2.785	-1.776	-5.193	-4.621	-4.134	-1.333
Long term loans	-357	697	1.783	-1.420	-77	-5
Medium term loans	0	25	5.085	1.267	-5.588	1.000
Other Long term liabilities	782	362	1.819	-1.064	182	-647
Equity	6.049	931	853	-285	-3.954	137
cash from financing activities	6.474	2.016	9.540	-1.502	-9.438	484
Net Changes in Cash	6.710	1.984	2.720	-3.627	-3.079	-275
Beginning Balance	2.560	9.270	11.254	13.974	10.347	7.267
Ending balance	9.270	11.254	13.974	10.347	7.267	6.992

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%	-41,17%	39,72%
OP	37,33%	33,35%	20,91%	10,21%	-53,64%	70,27%
EBITDA	8,98%	28,81%	48,17%	15,76%	-51,53%	72,12%
NP	61,88%	18,80%	43,94%	32,06%	-87,50%	332,02%
EPS	10,98%	18,80%	43,94%	32,06%	-87,50%	332,02%
Profitabilitas						
Operating Margin(%)	13,27%	10,59%	10,76%	13,58%	10,70%	13,04%
EBITDA margin(%)	12,12%	9,34%	11,63%	15,41%	12,70%	15,64%
NET Profit margin(%)	6,46%	4,59%	5,55%	8,40%	1,78%	5,52%
ROA(%)	3,25%	2,63%	2,92%	3,68%	0,46%	1,83%
ROE(%)	8,10%	8,22%	10,05%	11,89%	1,84%	7,29%
Liquiditas						
Current ratio (X)	1,48	1,34	1,54	1,39	0,98	1,00
cash ratio (x)	0,63	0,43	0,49	0,34	0,19	0,16
Stabilitas						
Debt/ Equity	0,48	0,58	0,76	0,72	1,00	1,10
Per Share data (Rp)						
EPS	112,8	134,0	192,9	254,7	31,8	137,6
BVS	606	1.393	1.631	1.919	2.142	1.733

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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