BINA ARTHA SEKURITAS

Equity Research

PT Wijaya Karya Bangunan GedungTbk

BUY

31 August 2023
Building Construction, Equity

Price	IDR. 97
Target Price	IDR. 129
JKSE Index	6947.748



Stock Code	
Bloomberg code	WEGE IJ
Market cap (IDR.bn)	890.2
52-Week High (IDR)	198
52-Week Low (IDR)	82
6-m Avg Daily. Val (IDR)	111
Free Float (%)	30.00

Major Shareholders (%)	
WIKA	69.30%
KOKAR WIKA	0.70%
Public	30.00%

USD/IDR-YE	
2022A	15731
2023F	15294

Key Indicators 2023F	
Total Debt/ Equity (x)	1.58
Current ratio (x)	1.18

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Investment Consideration

Optimism in new targets

As of 8M23, WEGE's new contracts have reached IDR 2.7 trillion, hitting 54-68% of the 2023FY goal of IDR 4-5 trillion. Notably, total new contracts for 1H23 showed a significant increase compared to 1Q23, amounting to IDR 516.65 billion. This growth was fueled by a substantial contract from the IKN project, specifically the ASN residential contract worth IDR 1.63 trillion. As of 8M23, the new contracts were sourced from: government projects (85.6%), state-owned enterprises (SOEs) (5.32%), and private entities (9.09%). Noteworthy among the private contracts is the Sky House Alam Sutera IDR project, valued at IDR 237.1 billion. Building on the 1H23 results, we're targeting a new 27% CAGR revenue growth in 2024F compared to 2022A, with a new burn rate target of 18%.

Margin rise in 2024F

In 2023, WEGE anticipates a growth rebound, driven by a strategic focus on securing contracts from well-funded government, SOE, and private projects, aimed at reducing receivables. The integration of new technologies, such as Building Information Modeling (BIM), is expected to enhance performance. Despite a 1H23 slowdown, we project WEGE's net profit margin to average 2.69% in 2023, improving to 5.76% in 2024F. The current year's margin reduction can be attributed to increased costs and a decrease in burn rate.

Valuation: 39% upside

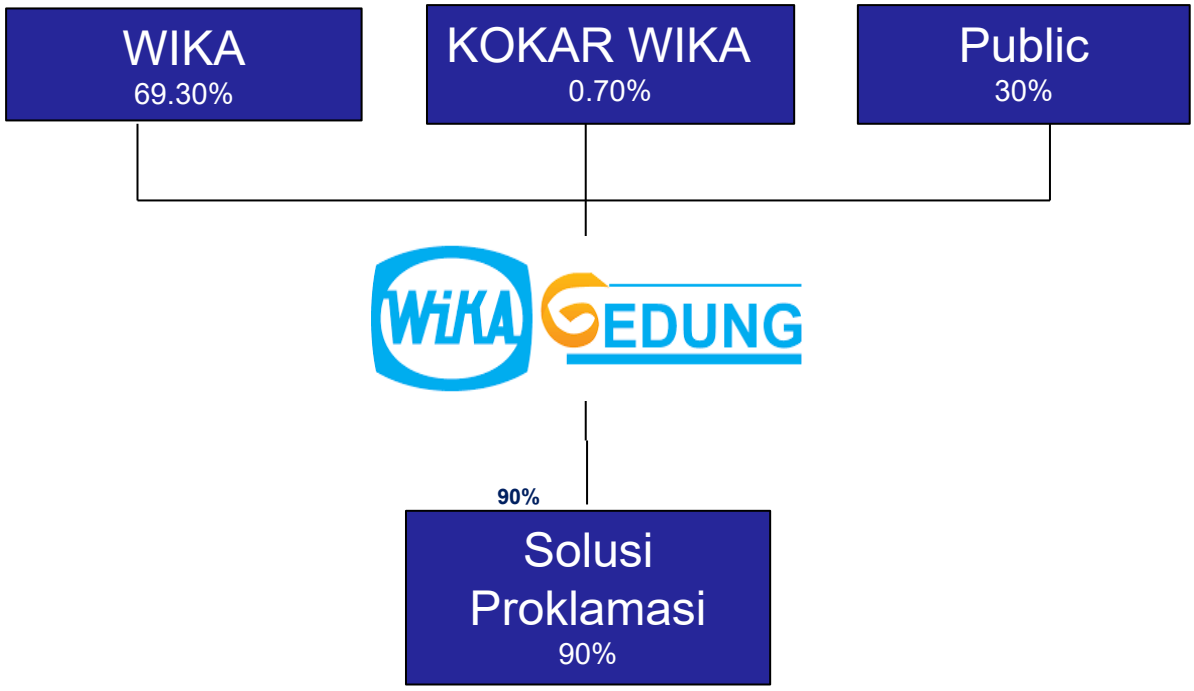
After adjustments from the 1H23 results, our new target price is set at IDR 129 per share, equivalent to a trading multiple of 5x PER. With a promising 39% upside, we maintain our BUY recommendation.

Financial ratio highlights	2018A	2019A	2020A	2021A	2022A	2023F	2024F	2025F
Net profit growth (%)	50.66%	1.67%	-66.06%	39.53%	7.56%	-66.92%	186.69%	15.89%
NPM (%)	7.63%	9.89%	5.45%	6.75%	9.72%	2.69%	5.76%	5.57%
Current Ratio (X)	1.83	1.66	1.49	1.45	1.98	1.58	1.57	1.63
Total debt/ Total equity (x)	1.78	1.54	1.80	1.53	1.14	1.18	1.46	1.39
EPS	46.41	47.19	16.01	22.34	24.03	7.95	22.79	26.41

Company Profile

Established on October 24th, 2008, PT Wijaya Karya Bangunan Gedung Tbk (WEGE) is a subsidiary of PT Wijaya Karya (Persero) Tbk. Initially focused on private sector building construction, WEGE's scope covered mechanical, electrical, interior, and exterior work. Government and SOE construction was handled by DBG (Building Construction Division), a division of WIKA. WEGE entered the property sector in 2013 through joint operations. To further its growth, DBG merged into WEGE in February 2016, with WIKA concentrating on infrastructure. WEGE went public in November 2017, offering 2.872 million shares (30% of its total paid-up capital) through an IPO. Currently, WEGE operates in two segments: construction building services and investment & concessions.

Company Structure



Source: Company

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

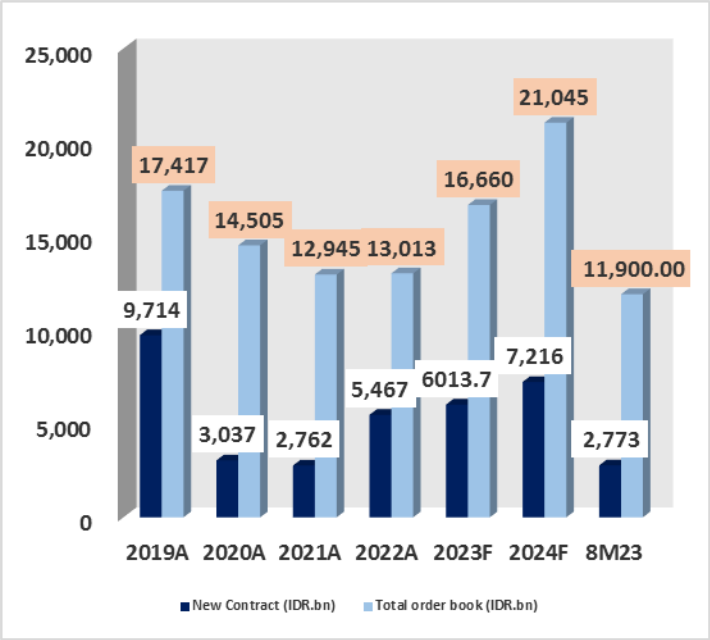


Chart: Net profit margin and EBITDA margin (%) yoy

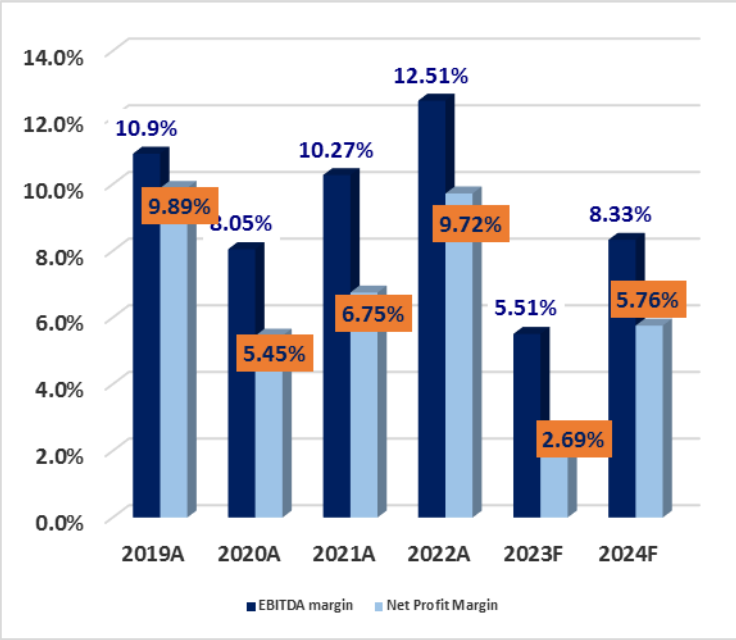


Chart: New contract based on project owner yoy (%) as of 8M23

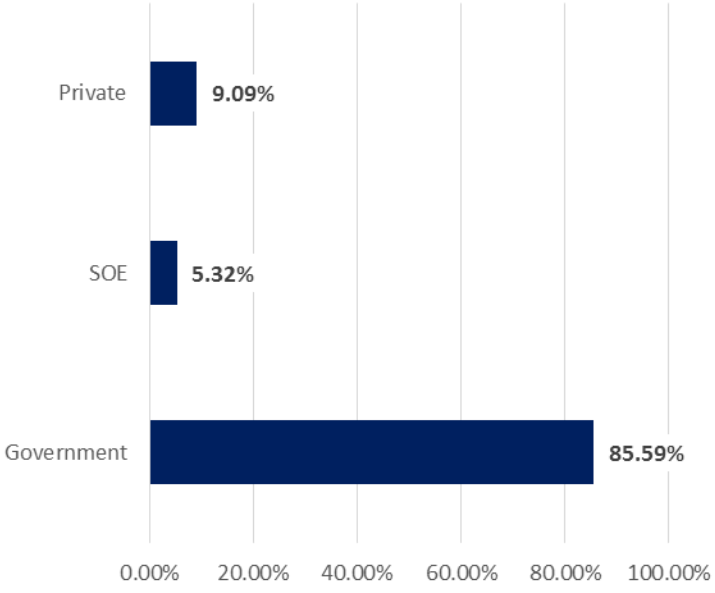
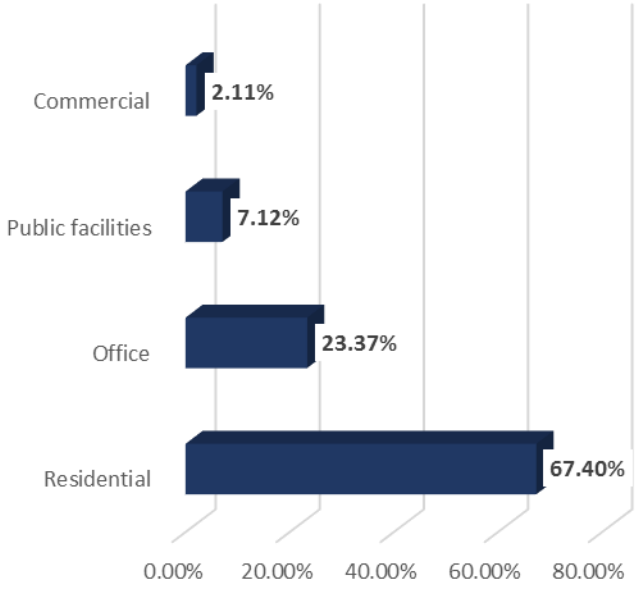


Chart: New contract by segment as of 8M23



BINAARTHA SEKURITAS

Source: Company and binaartha

Profit and Loss

Profit and Loss (IDR. in bn)	2019A	2020A	2021A	2022F	2023F	2024F	2025F
Revenues	**4,568**	**2,810**	**3,168**	**2,366**	**2,832**	**3,788**	**4,535**
Cost of Revenues	(4,102)	(2,598)	(2,898)	(2,138)	(2,662)	(3,447)	(4,127)
Gross Profit	**465**	**212**	**270**	**228**	**170**	**341**	**408**
Operating Expenses	(71)	(63)	(58)	(61)	(60)	(81)	(97)
Operating Income	**394**	**149**	**212**	**167**	**110**	**260**	**312**
Other Income	63	7	4	63	(31)	(40)	(56)
Profit Before Tax	**457**	**156**	**216**	**230**	**78**	**221**	**255**
Tax expense	(0)	0	(0)	0	0	0	0
EPS	47	16	22	24	8	23	26
Net Income	**452**	**153**	**214**	**230**	**76**	**218**	**253**
EBITDA	**499**	**226**	**326**	**296**	**156**	**316**	**368**

Balance Sheet

Cash Flow (IDR. in bn)	2018A	2019A	2020A	2021A	2022A	2023F	2024F	2025F
+ Net Income	444	452	153	214	230	76	218	253
+Depreciation	19	21	37	46	36	49	62	77
- Change in WC	(310)	55	542	105	(1,130)	(149)	30	(240)
Cash From Operating Activities	**154**	**529**	**733**	**364**	**(864)**	**(23)**	**309**	**89**
capex	(197)	(516)	(307)	(184)	37	(302)	(18)	(184)
cash from investing activities	**(197)**	**(516)**	**(307)**	**(184)**	**37**	**(302)**	**(18)**	**(184)**
long term liabilities	168	(199)	(65)	(184)	353	(322)	191	82
Bank Loan			106	(5)	(7)	5	5	5
other long term liabilities	(27)	5	2	(5)	1	2	3	3
Equity	(31)	(129)	(418)	(27)	(72)	(127)	(240)	3
cash from financing activities	**110**	**(322)**	**(375)**	**(221)**	**276**	**(443)**	**(41)**	**92**
Net Changes in Cash	67	(310)	52	(40)	(552)	(768)	250	(2)
Beginning Balance	**1,699**	**1,766**	**1,456**	**1,508**	**1,468**	**916**	**149**	**399**
Ending balance	**1,766**	**1,456**	**1,508**	**1,468**	**916**	**149**	**399**	**397**

Source: Binaartha & Company

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Financial Ratio Highlights

Ratio highlights YoY	2018A	2019A	2020A	2021A	2022A	2023F	2024F	2025F
Growth (%)								
Revenues	49.32%	-21.55%	-38.48%	12.74%	-25.31%	19.69%	33.75%	19.72%
OP	27.24%	-23.96%	-62.26%	42.63%	-21.24%	-34.39%	137.38%	19.72%
EBITDA	43.00%	7.45%	-54.63%	43.88%	-9.08%	-47.28%	102.28%	16.44%
Net profit	50.66%	1.67%	-66.06%	39.53%	7.56%	-66.92%	186.69%	15.89%
EPS	-5.32%	1.67%	-66.06%	39.53%	7.56%	-66.92%	186.69%	15.89%
Profitability (%)								
Operating Margin	8.90%	8.63%	5.29%	6.70%	7.06%	3.87%	6.87%	6.87%
EBITDA margin	7.97%	10.92%	8.05%	10.27%	12.51%	5.51%	8.33%	8.10%
NET Profit margin	7.63%	9.89%	5.45%	6.75%	9.72%	2.69%	5.76%	5.57%
ROA	7.54%	7.29%	2.52%	3.58%	4.24%	1.41%	3.63%	3.92%
ROE	21.04%	18.59%	7.09%	9.12%	9.06%	3.10%	8.96%	9.41%
Liquidity (x)								
Current Ratio (X)	1.83	1.66	1.49	1.45	1.98	1.58	1.57	1.63
Cash Ratio	0.61	0.48	0.48	0.48	0.46	0.06	0.14	0.14
Solvability (x)								
Total debt/ Total equity (x)	1.78	1.54	1.80	1.53	1.14	1.18	1.46	1.39
Int. Coverage (x)	1053.47	22.40	4.81	3.41	7.77	2.74	6.62	7.27
Debt Ratio	0.64	0.60	0.64	0.60	0.53	0.54	0.59	0.58
Per Share data (Rp)								
EPS	46.41	47.19	16.01	22.34	24.03	7.95	22.79	26.41
BVS	220.55	253.76	225.86	245.10	265.13	256.72	254.24	280.65

Source: Binaartha & Company

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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