



**BUY**

Target Price : IDR160

## Stock Data

Current Price : IDR133  
 52w Range H-L : IDR198-129  
 Share Outstanding : 9.57 Bn  
 Free Float : 30.70%  
 Mkt Capitalization : IDR1.25tn

## Major Shareholders

PT Wijaya Karya Tbk: 69.30%  
 Public : 30.70%



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## PT Wika Gedung Tbk (WEGA IJ)

Construction

### Rekindling Hope

#### New contracts in FY22 advances towards pre-pandemic levels

WEGA's new contracts in FY22 totalled to IDR5.47tn (vs IDR2.76tn in FY21), with 43.97% of the contracts coming from the private sector, 37.44% from the government and 19.58% from SOEs. Out of the 15 projects that were obtained, 3—a hospital, a multipurpose facility, and Kediri Airport Phase 2—were public facilities, accounting for 67% of the projects. A total of IDR1tn projects were obtained by WEGA, including a part in IKN's development projects for the Menko Marves (Coordinating Ministry of Maritime and Investment) headquarters valued at IDR671bn. The carry over was recorded at IDR7.55tn, and as a result WEGA's order book has reached IDR13tn in FY22.

#### FY22 Results: Efficiency induced bottom-line and margins growth

- Revenue tumbled by -25.31% YoY to IDR2.37tn in FY22 (vs IDR3.17tn in FY21). Construction services revenue decreased by -32.54% YoY, followed by a weakening in the property segment by -57.90% YoY to IDR9.19bn in FY22 (vs IDR21.84bn in FY21). The industrial and concession segment was able to grow by 481.35%/161.82% YoY, respectively.
- Cost of revenue decreased by -26.21% YoY to IDR2.14tn from IDR2.90tn previously, and as a result gross profit was recorded at IDR228.05bn with a gross profit margin of 9.64% (vs 8.54% in FY21). Financial expenses recorded a -43.24% YoY decrease while the joint venture income remained stable. As such, the net profit recorded an increase of +7.56% YoY to IDR230.05bn (vs IDR213.88bn in FY21), with the net profit margin standing at 9.72%.

#### FY23E Outlook: optimistic with hurdles to overcome

- WEGA IJ has secured new contracts amounting to IDR260bn in 2M23 or equals to 3.88% from FY23E target (vs IDR679bn in 2M22). Currently, the pipeline estimate includes more than 20 projects, amounting to 6.69 trillion IDR, comprising government (68%), private sector (18%) and SOE (14%), with a majority of public institutions and offices in FY23E.
- Carry over is estimated to reach IDR8.93tn, translating to an order book of IDR15.63tn. Management is targeting the top-line at IDR5.10tn with a net profit of IDR251bn in FY23E.
- We project the revenue to accrue by 38.40% YoY amounting IDR3.27tn in FY23E (vs IDR2.37tn in FY22). This will be hoisted by several projects currently underway, including: 1) workers' housing tower that has been finalized (IDR419bn); 2) DP from the Kediri Airport project (IDR1.8tn); 3) DP from the multipurpose building, hospital and ministry headquarters project in IKN. On the other hand, we estimate the net profit to reach IDR251.20bn, or grow by 9.19% YoY, with an NPM of 7.68%. We hold the view that inflated material costs along with logistics cost are going to be challenges that lie ahead in FY23E.
- WEGA has also allocated a capital expenditure of Rp266.10bn for FY23E. Approximately IDR180 bn or 67.64% of the capital expenditure will be used as capital, with the remaining IDR86.1 bn to invest in digital transformation to support the construction industry 4.0 agenda.
- We also believe that most government projects scheduled for FY23E pose a higher risk given the upcoming election year.

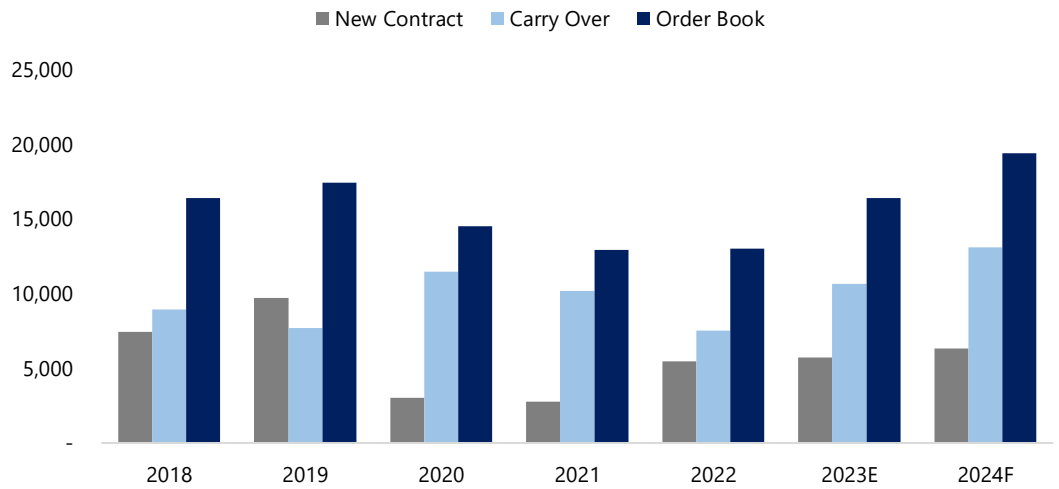
#### Valuation and Recommendation: BUY with a TP IDR160

We recommend **BUY** for **WEGA**, with a **TP: of IDR160** which implies PE/PBV 4.99x/0.46x in FY23E and 3.81x/0.42x in FY24F. WEGA's valuation has become attractive as it is currently trading at a level of -1 STD (average 3-years PE). Risks to our call would include: 1) Changes in government policy; 2) Material price volatility.

Key Financial Highlight	FY20	FY21	FY22	FY23E	FY24F
Revenue (IDR Bn)	2,810.08	3,168.20	2,366.26	3,274.92	3,566.26
EBITDA (IDR Bn)	224.52	340.78	283.79	398.89	540.75
Net Income (IDR Bn)	153.28	213.88	230.05	251.20	329.19
ROA (%)	2.52	3.58	4.24	3.55	4.07
ROE (%)	6.98	8.98	9.06	9.16	10.96
PE (x)	8.18	5.86	5.45	4.99	3.81
PBV (x)	0.57	0.53	0.49	0.46	0.42
Dividend Yield (%)	9.01	2.45	3.41	4.01	5.25

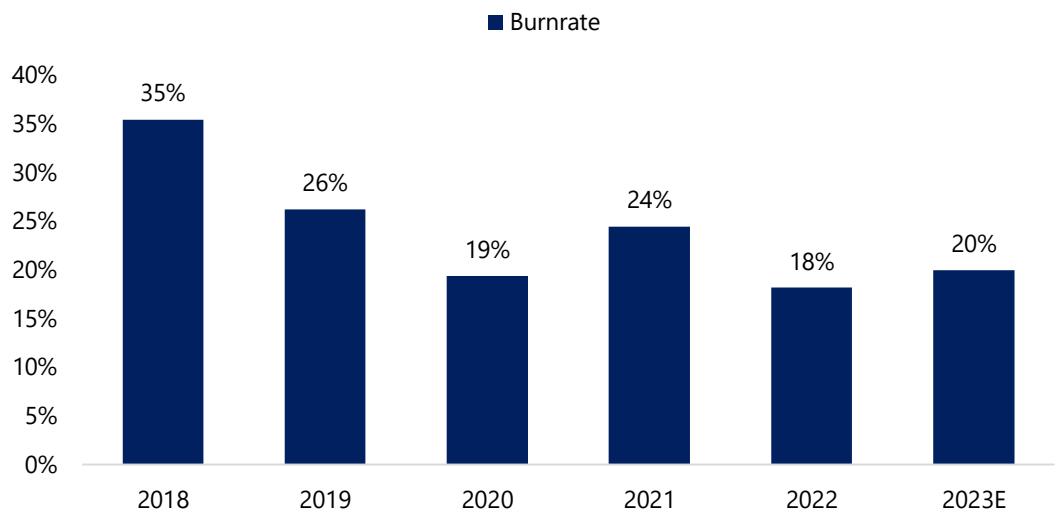
Sources: Company, MNCS

Exhibit 01. New contract potentially increase, modular as a backbone (in IDR bn)



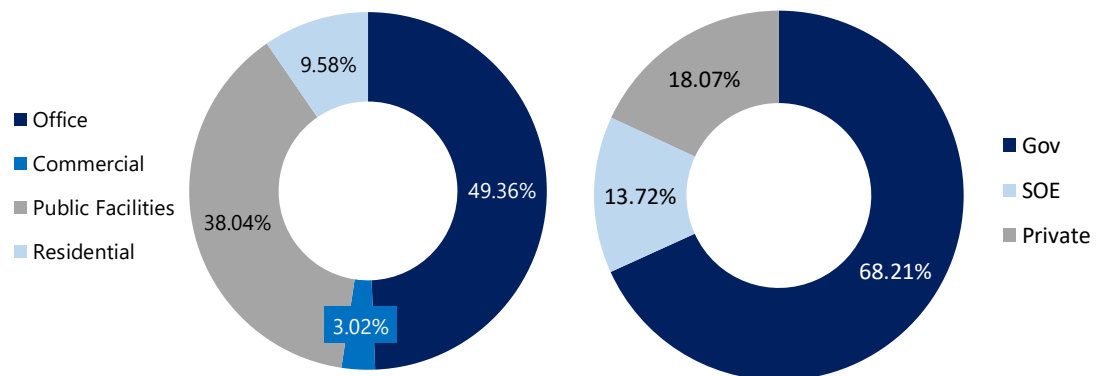
Sources : Company, MNCS

Exhibit 02. Burn rate relatively stable during the political year



Sources : Company, MNCS

Exhibit 03. Project by government as the main target in FY23E



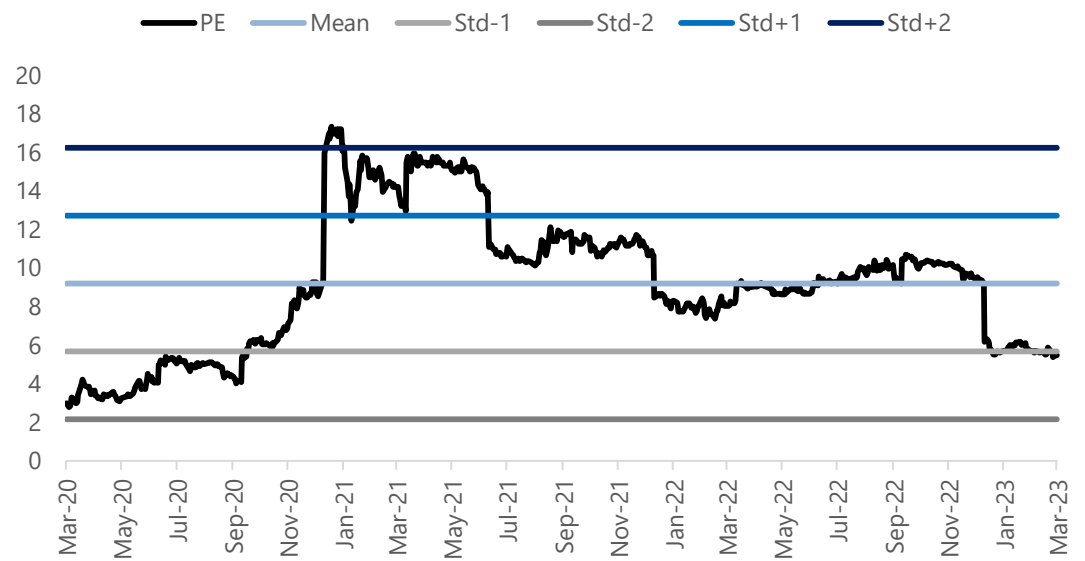
Sources : Company, MNCS

Exhibit 04. New contract in FY22

No	Project Name	Value (IDR bn)	Owner
1	Bio Farma Product Development Facility Building	622	Private
2	Kediri Airport Phase 2	1,817	SOE
3	Halim Airport Revitalization	122	Gov
4	Kalideres Hospital	135	Gov
5	Bio Farma Building Renovation	40	Gov
6	Building 1 and 2 ITB	217	SOE
7	Al-Hidayah Mosque Phase 1	11	SOE
8	Shipping Science Polytechnic	126	Private
9	UIN Makassar Hospital	10	Gov
10	Surabaya Vertical UPT Hospital	403	Gov
11	MFH Corridor and Roof garden	204	Gov
12	Construction of Clift 2 Rental Resort	450	Private
13	Kemenko 1 IKN Building	672	Gov
14	Khay Ming School	53	Private
15	KCIC Station	61	SOE
	<b>WEGE Solusi Proklamasi</b>	<b>25</b>	<b>SOE</b>
	<b>Modular &amp; Concession</b>	<b>482</b>	<b>Mixed</b>
	<b>WIKA Precast</b>	<b>17</b>	<b>Private</b>
	<b>Total</b>	<b>5,467</b>	

Sources : Company, MNCS

Exhibit 05. WEGE is currently trading at 5.5x PE, close to its -1STD (3-years Average)



Sources : Bloomberg, MNCS

Exhibit 06. Financial Summary

Income Statement						Balance Sheet					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F	in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
<b>Revenue</b>	<b>2,810.08</b>	<b>3,168.20</b>	<b>2,366.26</b>	<b>3,274.92</b>	<b>3,566.26</b>	Cash & Equivalents	1,508.00	1,467.87	916.34	1,723.56	2,110.18
COGS	(2,598.01)	(2,897.72)	(2,138.21)	(2,960.96)	(3,189.31)	Trade Receivables	1,771.12	1,775.26	1,654.38	1,886.14	2,071.73
<b>Gross Profit</b>	<b>212.07</b>	<b>270.48</b>	<b>228.05</b>	<b>313.97</b>	<b>376.95</b>	Inventory	376.53	323.41	370.96	329.18	373.22
OPEX	(63.29)	(58.27)	(60.93)	(87.59)	(80.42)	Others Current Assets	1,047.06	890.04	1,038.14	1,335.67	1,431.06
Share in Profit on JV	38.24	83.05	80.73	98.25	114.33	<b>Total Current Assets</b>	<b>4,702.71</b>	<b>4,456.58</b>	<b>3,979.83</b>	<b>5,274.55</b>	<b>5,986.19</b>
<b>Operating Income</b>	<b>187.02</b>	<b>295.26</b>	<b>247.85</b>	<b>324.63</b>	<b>410.86</b>	Fixed Assets - net	180.65	142.14	93.03	284.77	554.88
<b>EBITDA</b>	<b>224.52</b>	<b>340.78</b>	<b>283.79</b>	<b>398.89</b>	<b>540.75</b>	Other Non-Current Assets	1,198.52	1,375.28	1,351.56	1,506.91	1,556.72
Finance Income (Expense)	(9.51)	(63.52)	(55.06)	(85.34)	(126.59)	<b>Total Non-Current Assets</b>	<b>1,379.17</b>	<b>1,517.42</b>	<b>1,444.59</b>	<b>1,791.69</b>	<b>2,111.60</b>
Other Income (Expense)	(21.26)	(15.26)	37.47	12.01	45.06	<b>TOTAL ASSETS</b>	<b>6,081.88</b>	<b>5,974.00</b>	<b>5,424.43</b>	<b>7,066.23</b>	<b>8,097.79</b>
<b>Profit Before Tax</b>	<b>156.25</b>	<b>216.48</b>	<b>230.26</b>	<b>251.30</b>	<b>329.33</b>	Trade Payables	2,121.73	2,007.36	1,050.24	1,891.60	2,182.39
Income Tax (Expenses)	0.10	(0.09)	-	(0.10)	(0.14)	Short-term Debt	409.03	434.29	507.03	693.08	990.34
Minority Interest	(3.07)	(2.51)	(0.20)	-	-	Other Current Liabilities	633.28	621.33	450.45	499.15	514.76
<b>Net Income</b>	<b>153.28</b>	<b>213.88</b>	<b>230.05</b>	<b>251.20</b>	<b>329.19</b>	<b>Total Current Liabilities</b>	<b>3,164.04</b>	<b>3,062.98</b>	<b>2,007.72</b>	<b>3,083.83</b>	<b>3,687.49</b>
						Long-term Debt	106.19	101.03	94.00	161.24	230.39
						Other Long-term Liabilities	616.75	428.39	782.70	1,080.21	1,175.60
						<b>Total LT-Liabilities</b>	<b>722.94</b>	<b>529.43</b>	<b>876.70</b>	<b>1,241.44</b>	<b>1,405.98</b>
						<b>Total Equity</b>	<b>2,194.90</b>	<b>2,381.59</b>	<b>2,540.01</b>	<b>2,740.96</b>	<b>3,004.32</b>

Cash Flow						Ratios					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F	FY20	FY21	FY22	FY23E	FY24F	
Net Income	153.28	213.88	230.05	251.20	329.19	Revenue Growth (%)	(38.48)	12.74	(25.31)	38.40	8.90
D&A	37.50	45.53	35.94	74.26	129.89	Operating Profit Growth (%)	(61.90)	57.87	(16.06)	30.98	26.56
Changes in WC	998.41	(65.38)	(883.81)	651.39	61.16	Net Profit Growth (%)	(66.06)	39.53	7.56	9.19	31.05
Change in others	(995.08)	145.06	(317.59)	(248.83)	(79.78)	Current Ratio (%)	148.63	145.50	198.23	171.04	162.34
<b>Operating CF</b>	<b>194.11</b>	<b>339.08</b>	<b>(935.41)</b>	<b>728.01</b>	<b>440.47</b>	Receivable Days (x)	230.05	204.52	203.36	210.22	212.04
Capex	(69.53)	(7.01)	13.17	(266.00)	(400.00)	Inventory Days (x)	52.90	40.74	36.64	40.58	42.71
Others	(236.97)	(176.75)	23.72	(155.35)	(49.81)	Payable Days (x)	298.09	252.85	214.94	233.18	249.76
<b>Investing CF</b>	<b>(306.50)</b>	<b>(183.77)</b>	<b>36.88</b>	<b>(421.35)</b>	<b>(449.81)</b>	DER (x)	0.23	0.22	0.24	0.31	0.41
Dividend Paid	(113)	(31)	(43)	(50)	(66)	Net Debt/EBITDA (x)	(4.42)	(2.74)	(1.11)	(2.18)	(1.64)
Net Change in Debt	338.37	20.11	65.71	253.28	366.41	Interest Coverage (x)	5.76	4.65	4.39	3.80	3.23
Equity Fund Raised	-	-	1.22	-	-	Gross Profit Margin (%)	7.55	8.54	9.64	9.59	10.57
Others	(61.24)	(184.83)	322.85	297.51	95.39	Operating Profit Margin (%)	6.66	9.32	10.47	9.91	11.52
<b>Financing CF</b>	<b>164.18</b>	<b>(195.44)</b>	<b>346.99</b>	<b>500.55</b>	<b>395.97</b>	EBITDA Margin (%)	7.99	10.76	11.99	12.18	15.16
Cash at Beginning	1,456.21	1,508.00	1,467.87	916.34	1,723.56	Net Income Margin (%)	5.45	6.75	9.72	7.67	9.23
<b>Cash at Ending</b>	<b>1,508.00</b>	<b>1,467.87</b>	<b>916.34</b>	<b>1,723.56</b>	<b>2,110.18</b>	EPS (IDR)	16.01	22.34	24.03	26.24	34.39

Sources : Company, MNCS

### MNC Research Industry Ratings Guidance

**OVERWEIGHT:** Stock's total return is estimated to be above the average total return of our industry coverage universe over next 6-12 months

**NEUTRAL:** Stock's total return is estimated to be in line with the average total return of our industry coverage universe over next 6-12 months

**UNDERWEIGHT:** Stock's total return is estimated to be below the average total return of our industry coverage universe over next 6-12 months

### MNC Research Investment Ratings Guidance

**BUY :** Share price may exceed 10% over the next 12 months

**HOLD :** Share price may fall within the range of +/- 10% of the next 12 months

**SELL :** Share price may fall by more than 10% over the next 12 months

**Not Rated :** Stock is not within regular research coverage

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