

BUY | TP : IDR100
WEGE Stock Price Data

Last Price	:	IDR84
52wk High	:	IDR166
52wk Low	:	IDR82
Share Out	:	9.6bn
Market Cap	:	IDR813.6bn

WEGE Stock Price Performance

1-Day	:	+0.0%
1-Week	:	-5.6%
1-Month	:	-7.6%
3-Month	:	-14.1%
Year-to-Date	:	-42.9%

Shareholders

PT Wijaya Karya Tbk	:	69.3%
Public (<5%)	:	30.7%


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PT Wijaya karya bangunan GedungTbk (WEGE IJ)
BIM Technology: New Airport, New Milestone
Dhoho Airport Kediri: Conquering a new landmark with BIM Technology

- We took part in a site visit in November 15, 2023, sightseeing WEGE's latest ongoing project which was the Dhoho Airport. The project was given by PT. Surya Dhoho Investama (a subsidiary of PT Gudang Garam Tbk), rewarding WEGE ~IDR1.8tn from the project's total value of IDR3.4tn. WEGE took on the project back in FY22, and for this year WEGE is set to pocket IDR1.2tn as the project handover and commencement is expected in Dec-23.
- For this project, WEGE plans on employing their BIM technology, one of their competitive edges in the construction industry. The project landscape for WEGE encompasses: 1) the construction of 22 buildings, comprised of the main building (terminal, air traffic control tower and the VVIP wing) and supporting structures (electrical substation, power generator, depo and other supporting structures); 2) construction of land facilities and infrastructures such as roads, drainage systems, fences and parking lots; 3) construction of utility infrastructures such as the electrical network, clean water pipes, hydrant system, sewage system, and street lightings; 4) coordinate with primary contractors and primary suppliers to ensure seamless execution and material procurements.
- Dhoho Airport will be erected on a vast land area of 300ha, targeting a passenger traffic of up to 1.5 – 2.5mn annually. The airport will feature the following facilities: 1) a terminal with a the size of 28k sqm with 20 check-in counters and capacity of 1.5mn p.a; 2) runway with a dimension of 3,300x45 meters to accommodate aircrafts with the size of Boeing 777-300ER; 3) aprons sized at 548x141 meters, with a capacity of 12 narrow body and 3 wide body aircrafts, equipped with 4 units of jet bridges; and 4) parking area totaling up to 32k sqm.
- Dhoho Airport will also harbor a VVIP building with the size of 1,645 sqm, equipped with VVIP lounges and conference rooms. The VVIP apron comes as big as 221x97 meters with a capacity of 4 small aircrafts and 1 narrow body aircraft.

WEGE's focus remains; on the lookout for IKN projects

- So far, WEGE has secured 3 projects from the IKN, including: 1) the IKN Construction Workers' Living Quarters with a value of IDR346bn (project completed); 2) Coordinating Ministry of Marine Affairs and Investment 1 with a project value of IDR671.8bn; 3) Presidential Security Force's settlements amounting to IDR1.6tn. Till now the 2 remaining projects are still in the execution phase, with FY23's completion progress targeted at 41% for the Coordinating Ministry's building and 25% for the Presidential Security force's settlements.
- WEGE remains vigilant on pursuing additional contracts related to IKN as the tender offers continue pouring in, as well as establishing cooperation with several contractors to secure other projects. Moreover, WEGE strides for a diversified client portfolio by not only aiming for projects directly funded by the state budget through IKN, but also by targeting projects from private sector companies who wield the letter to proceed from Nusantara Capital City Authority (Otorita IKN) for a KPBU (Kerjasama Pemerintah Badan Usaha) cooperation scheme.
- WEGE new contracts target for FY23E amounted to IDR6.7tn, 68.2% of which comes from the government, 18.1% from the private sector, and 13.7% from the SOEs. However, as of 10M23 WEGE's new contracts have only managed to reach a meager IDR3.3tn (run rate: 49.6% achievement); we asses that managements target has proven difficult to be met due to the noise currently surrounding the construction sector. Notwithstanding, management maintained that WEGE can at least come close to their FY23E target.

Valuation and Recommendation: BUY with a TP IDR100

We recommend BUY for WEGE, with a TP: of IDR100 which implies PE/PBV of 5.0x/0.4x in FY24F. WEGE'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. **As a side note**, there has been an unrecorded payment from WEGE's client in FY23E due to adjustments made to project's design, which in turn made the cost appear higher albeit the net profit declined. The payment is set to be deferred to FY24F's records.

Key Financial Highlight	FY20	FY21	FY22	FY23E	FY24F
Revenue (IDR Bn)	2,810.1	3,168.2	2,366.3	3,274.9	3,482.0
EBITDA (IDR Bn)	224.5	340.8	283.8	398.9	510.7
Net Income (IDR Bn)	153.3	213.9	230.1	120.6	248.7
ROA (%)	2.5	3.6	4.2	1.8	3.4
ROE (%)	7.0	9.0	9.1	4.6	8.8
PE (x)	8.2	5.9	5.5	10.4	5.0
PBV (x)	0.6	0.5	0.5	0.5	0.4
Dividend Yield (%)	9.0	2.5	3.4	1.9	4.0

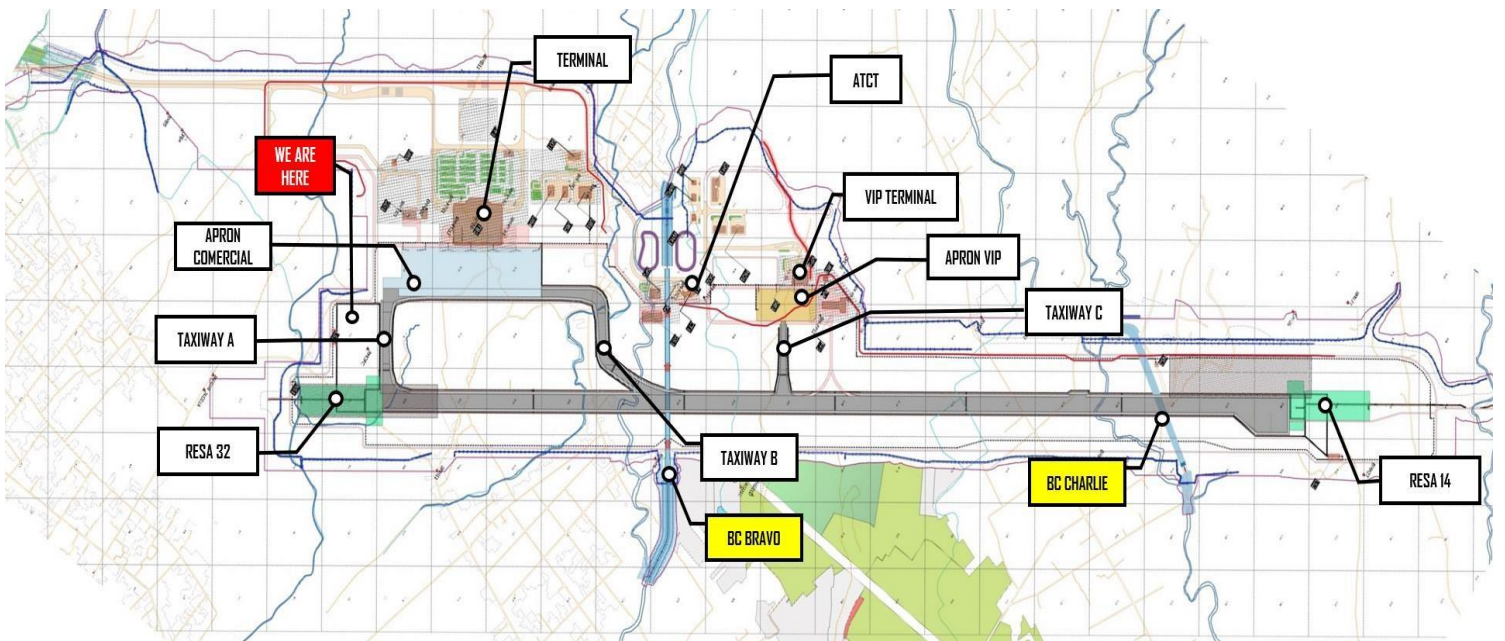
Sources : Bloomberg, MNCS Research

Exhibit 01. Airport facilities



Sources : Company, MNCS

Exhibit 02. Airport masterplan



Source : Company, MNCS

Exhibit 03. Check-in counter installation is ready at Dhoho airport

Dhoho airport will have 20 check-in counters ready to serve flights



Source : MNCS

Exhibit 04. The aerobridge and aircraft apron are in the finalization stage

4 aerobridges have been prepared to facilitate passenger flow



Source : MNCS

Exhibit 05. Open space which will become an icon of Dhoho airport is in the completion stage

This open space will become an icon of Dhoho Airport



Source : MNCS

Exhibit 06. Financial Projections

Income Statement					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Revenue	2,810.1	3,168.2	2,366.3	3,274.9	3,482.0
COGS	(2,598.0)	(2,897.7)	(2,138.2)	(2,961.0)	(3,113.9)
Gross Profit	212.1	270.5	228.1	314.0	368.0
OPEX	(63.3)	(58.3)	(60.9)	(87.6)	(78.5)
Share in Profit on JV	38.2	83.0	80.7	98.2	111.6
Operating Income	187.0	295.3	247.9	324.6	401.1
EBITDA	224.5	340.8	283.8	398.9	510.7
Finance Income					
(Expense)	(9.5)	(63.5)	(55.1)	(85.3)	(83.8)
Other Income					
(Expense)	(21.3)	(15.3)	37.5	(118.6)	(68.6)
Profit Before Tax	156.3	216.5	230.3	120.6	248.8
Income Tax (Expenses)	0.1	(0.1)	-	(0.0)	(0.1)
Minority Interest	(3.1)	(2.5)	(0.2)	-	-
Net Income	153.3	213.9	230.1	120.6	248.7
EPS (IDR)	16.0	22.3	24.0	12.6	26.0

Balance Sheet					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Cash & Equivalents	1,508.0	1,467.9	916.3	1,172.4	1,406.6
Trade Receivables	1,771.1	1,775.3	1,654.4	2,063.6	2,213.2
Inventory	376.5	323.4	371.0	329.2	383.9
Others	1,047.1	890.0	1,038.1	1,335.7	1,403.5
Current Assets	4,702.7	4,456.6	3,979.8	4,900.9	5,407.2
Fixed Assets - net	180.7	142.1	93.0	284.8	425.3
Other	1,198.5	1,375.3	1,351.6	1,506.9	1,542.3
Non-Current Assets	1,379.2	1,517.4	1,444.6	1,791.7	1,967.6
TOTAL ASSETS	6,081.9	5,974.0	5,424.4	6,692.6	7,374.8
Trade Payables	2,121.7	2,007.4	1,050.2	1,622.4	2,073.1
Short-term Debt	409.0	434.3	507.0	693.1	655.5
Other	633.3	621.3	450.5	499.1	510.2
Current Liabilities	3,164.0	3,063.0	2,007.7	2,814.7	3,238.9
Long-term Debt	106.2	101.0	94.0	161.2	152.5
Other	616.8	428.4	782.7	1,080.2	1,148.0
LT-Liabilities	722.9	529.4	876.7	1,241.4	1,300.5
Total Equity	2,194.9	2,381.6	2,540.0	2,636.5	2,835.4
TOTAL LIA & EQUITY	6,081.9	5,974.0	5,424.4	6,692.6	7,374.8

Cash Flow					
in Billion IDR	FY20	FY21	FY22	FY23E	FY24F
Net Income	153.3	213.9	230.1	120.6	248.7
D&A	37.5	45.5	35.9	74.3	109.5
Changes in WC	998.4	(65.4)	(883.8)	204.7	246.4
Change in others	(995.1)	145.1	(317.6)	(248.8)	(56.7)
Operating CF	194.1	339.1	(935.4)	150.7	547.9
Capex	(69.5)	(7.0)	13.2	(266.0)	(250.0)
Others	(237.0)	(176.8)	23.7	(155.4)	(35.4)
Investing CF	(306.5)	(183.8)	36.9	(421.4)	(285.4)
Dividend Paid	(112.9)	(30.7)	(42.8)	(24.1)	(49.7)
Net Change in Debt	338.4	20.1	65.7	253.3	(46.3)
Equity Fund Raised	-	-	1.2	-	-
Others	(61.2)	(184.8)	322.9	297.5	67.8
Financing CF	164.2	(195.4)	347.0	526.7	(28.3)
Cash at Beginning	1,456.2	1,508.0	1,467.9	916.3	1,172.4
Cash at Ending	1,508.0	1,467.9	916.3	1,172.4	1,406.6

Ratios					
	FY20	FY21	FY22	FY23E	FY24F
Revenue Growth (%)	(38.5)	12.7	(25.3)	38.4	6.3
Operating Profit Growth (%)	(61.9)	57.9	(16.1)	31.0	23.6
Net Profit Growth (%)	(66.1)	39.5	7.6	(47.6)	106.2
Current Ratio (%)	148.6	145.5	198.2	174.1	166.9
Receivable Days (x)	230.0	204.5	203.4	230.0	232.0
Inventory Days (x)	52.9	40.7	36.6	40.6	45.0
Payable Days (x)	298.1	252.9	214.9	200.0	243.0
DER (x)	0.2	0.2	0.2	0.3	0.3
Net Debt/EBITDA (x)	(4.4)	(2.7)	(1.1)	(0.8)	(1.2)
Interest Coverage (x)	5.8	4.6	4.4	3.8	4.8
Gross Profit Margin (%)	7.5	8.5	9.6	9.6	10.6
Operating Profit Margin (%)	6.7	9.3	10.5	9.9	11.5
EBITDA Margin (%)	8.0	10.8	12.0	12.2	14.7
Net Income Margin (%)	5.5	6.8	9.7	3.7	7.1
EPS (IDR)	16.0	22.3	24.0	12.6	26.0
BVPS (IDR)	229.3	248.8	265.4	275.4	296.2

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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