

Weak, but largely expected FY20 results. WIKA booked overall weak FY20 results despite posting solid improvement in 4Q20. The company booked FY20 revenue and NPATMI of IDR 16.5 tn (-39.2% YoY) and IDR 185.8 bn (-91.9% YoY) respectively. Of note, the recorded NPATMI beat out the consensus by 22.3% while narrowly missing our estimates (95.1%). Margins, on the other hand, fared worse without exception, as the company ended the year with GPM and NPM of 9.2% and 1.1% respectively (vs. 12.8% and 8.4% in FY19). Balance sheet fared no better, as the company's interest-bearing debt surged to IDR 26.2 tr (+38.1% YoY), implying gross and net gearing ratio of 1.6x and 0.7x respectively (vs. 0.8x and 0.2x in FY19).

Leading in new contract achievement. The big 4 SOE collectively booked a modest IDR 11.3 tn (-17.6% YoY) in new contracts over 1Q21. Amongst the 4, WIKA stands out with a strong new contract booking of IDR 4.7 tn (+84.9% YoY) translating to 11.6% of its FY21 target. This achievement remains consistent with respect to 1Q20 new contract achievement (11.8% of FY20 target). Given the strong showing thus far, we revise our FY21 new contract target to Rp32.1 tn (+37.3% YoY), implying c. 80% of management's FY21 guidance.

Significant recovery ahead. The construction sector now has another source of projects/ funds from the Public-Private-Partnership scheme with 25 total projects equivalent to IDR 283 tn. We believe WIKA will be the biggest beneficiary from the aforementioned budget as the company has a prudent gearing ratio (with respect to its peers) to absorb these projects. We forecast the burn rate will improve to 21% (vs. 16.6% in FY20) as the current construction conditions has recovered to c. 90% of normal. Lastly, with the establishment of INA in Feb-21, the company has an opportunity to divest some of its assets such as 15% stake at Balikpapan-Samarinda toll road and 15% ownership of Terminal Peti Kemas Belawan.

We reinitiate PT Wijaya Karya Tbk (WIKA) with a BUY rating and a FY21E target price of IDR 1,660 per share. Our TP implies 23% potential upside and is pegged to 1.1x FY21F PBV (its 5-year mean). Considering WIKA's large order book and relatively strong balance sheet and we continue to see attractive risk/reward for the stock. Downside risks to our call are: 1) delayed new contract tender or INA implementation and 2) bigger-than-expected AR impairment losses.

Highlights (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	27,213	16,536	22,430	27,897	32,159
% growth	-12.7%	-39.2%	35.6%	24.4%	15.3%
Gross Profit	3,480	1,525	2,431	3,311	3,750
Net Profit	2,285	186	386	736	866
% growth	32.1%	-91.9%	108.0%	90.5%	17.7%
Gross Margin (%)	12.8%	9.2%	10.8%	11.9%	11.7%
Net Margin (%)	8.4%	1.1%	1.7%	2.6%	2.7%
Return on Equity (%)	12.5%	1.0%	2.3%	4.3%	4.8%
Return on Assets (%)	3.8%	0.3%	0.6%	1.1%	1.2%
EPS (IDR)	255	21	43	82	97

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Sector	Construction
Bloomberg Ticker	WIKA IJ
Market Cap. (IDR tn)	12.2
Share Out./Float (mn)	8,970/3.134
Current Price	1,365
FY21F Target Price	1,660
Upside	23%

Share Price Performance

52W High (1/18/2021)	2,450
52W Low (5/19/2020)	925
52W Beta	2.1
YTD Change	-35.0%

Relative Valuations

Trailing P/E	62.3x
Forward P/E	29.9x
Trailing P/BV	0.8x
Forward P/BV	0.8x

WIKA 4Q20 Earnings Summary

IDR Bn	4Q19	3Q20	4Q20	%QoQ	%YoY	12M19	12M20	%YoY	%DH	%Cons
Revenues	8,916	3,250	6,153	89.3%	-31.0%	27,213	16,536	-39.2%	113.9%	103.4%
Gross Profit	1,211	219	635	189.6%	-47.5%	3,480	1,525	-56.2%		
Operating Profit (Loss)	916	39	353	810.7%	-61.5%	2,550	630	-75.3%		
NPATMI	933	(200)	136	N/A	-85.5%	2,285	186	-91.9%	95.1%	122.3%
Gross Profit Margin	13.6%	6.8%	10.3%			12.8%	9.2%			
Operating Profit Margin	10.3%	1.2%	5.7%			9.4%	3.8%			
Net Profit Margin	10.5%	-6.2%	2.2%			8.4%	1.1%			

Source: Company Data, Sinarmas Investment Research

Income Statement (IDR Bn)	2019	2020	2021E	2022F	2023F
Revenue	27,213	16,536	22,430	27,897	32,159
% growth	-12.7%	-39.2%	35.6%	24.4%	15.3%
Cost of Goods Sold	(23,733)	(15,012)	(19,999)	(24,586)	(28,409)
% growth	-13.9%	-36.7%	33.2%	22.9%	15.6%
Gross Profit	3,480	1,525	2,431	3,311	3,750
Operating Expense	(931)	(895)	(1,193)	(1,460)	(1,607)
Other Income (Expense)	1,302	649	580	691	723
EBIT	3,852	1,279	1,819	2,542	2,866
EBITDA	4,346	1,777	2,391	3,214	3,588
Net Financing	(367)	(568)	(764)	(891)	(941)
Profit from JV	939	472	682	769	845
PBT	3,485	711	1,055	1,651	1,925
Tax	(864)	(389)	(583)	(753)	(868)
Non Controlling Interest	336	137	85	162	190
Net Profit for the Year	2,285	186	386	736	866
% growth	32.1%	-91.9%	108.0%	90.5%	17.7%

Balance Sheet (IDR Bn)	2019	2020	2021E	2022F	2023F
Cash and Cash Equivalent	10,347	14,952	11,055	11,243	12,183
Receivables	4,462	2,176	3,687	3,821	4,405
Other Current Assets	27,527	30,854	27,697	31,365	33,497
Total Current Assets	42,335	47,981	42,440	46,430	50,085
Fixed Assets	5,155	5,171	5,507	5,476	5,458
Intangible Assets	2,394	3,864	3,864	3,864	3,864
Other Non Current Assets	12,226	11,093	12,854	14,214	16,300
Total Assets	62,111	68,109	64,665	69,984	75,708
Total Payables	12,762	14,241	13,698	13,472	15,567
Short-Term Loans	6,188	21,013	15,157	16,602	16,474
Other Current Liabilities	11,399	8,914	9,187	11,211	12,897
Total Current Liabilities	30,349	44,168	38,042	41,285	44,937
Long-Term Loans	8,892	5,265	6,898	7,474	8,138
Other Non Current Liabilities	3,653	2,018	2,892	3,601	4,145
Total Liabilities	42,895	51,452	47,832	52,360	57,221
Share & APIC	7,453	7,452	7,452	7,452	7,452
Retained Earnings	7,261	4,390	4,739	5,398	6,118
Non Controlling Interest	2,713	2,979	2,806	2,937	3,081
Other Components of Equity	1,871	1,788	1,788	1,788	1,788
Total Equity	19,216	16,657	16,833	17,624	18,487
Total Equity & Liabilities	62,111	68,109	64,665	69,984	75,708

Source: Company Data, Sinarmas Investment Research

Cash Flow (IDR Bn)	2019	2020	2021E	2022F	2023F
Net Income	2,285	186	386	736	866
Depreciation & Amortization	494	498	573	672	722
Change in Working Capital	2,000	2,046	(1,374)	2,005	(1,065)
Cash Flow from Operating	803	(1,462)	2,361	(607)	2,647
Change in Fixed Assets	(973)	(514)	(909)	(641)	(704)
Change in Intangible Assets	(1,680)	(1,470)	-	-	-
Change in Long Term Assets	(5,295)	(1,781)	(1,789)	(1,350)	(2,079)
Change in Long Term Liabilities	1,608	(1,049)	(1,562)	875	708
Cash Flow from Investing	(5,637)	(2,387)	(1,824)	(1,282)	(2,239)
Change in Share & APIC	1	(1)	-	-	-
Change in Short Term Loans/Bonds	1,691	14,825	(5,856)	1,446	(129)
Change in Long Term Loans/Bonds	(200)	(3,627)	1,633	577	663
Dividends Paid	504	3,057	37	77	147
Others	208	314	(174)	132	144
Cash Flow from Financing	1,206	8,453	(4,434)	2,077	531
Change in Cash	(3,627)	4,605	(3,896)	188	939
Beginning Cash	13,974	10,347	14,952	11,055	11,243
Ending Cash	10,347	14,952	11,055	11,243	12,183

Financial Ratio	2019	2020	2021E	2022F	2023F
Profitability					
ROE	12.5%	1.0%	2.3%	4.3%	4.8%
ROA	3.8%	0.3%	0.6%	1.1%	1.2%
Gross Margin	12.8%	9.2%	10.8%	11.9%	11.7%
Operating Margin	9.4%	3.8%	5.5%	6.6%	6.7%
EBITDA Margin	16.0%	10.7%	10.7%	11.5%	11.2%
Net Profit Margin	8.4%	1.1%	1.7%	2.6%	2.7%
Liquidity & Solvency					
Debt to Equity (x)	0.8	1.6	1.3	1.4	1.3
Net Gearing (x)	0.2	0.7	0.7	0.7	0.7
Debt to Assets (x)	0.2	0.4	0.3	0.3	0.3
Valuation					
Price to Earnings (x)	6.5	80.2	38.5	20.2	17.2
Price to Book (x)	0.9	1.1	1.1	1.0	1.0

Source: Company Data, Sinarmas Investment Research

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