

COMPANY UPDATE

BUY

STOCK INFORMATION

Bloomberg Code	WTON JJ
Sector	Precast Concrete
Current Price	Rp 462
Target Price	Rp 790
Previous Target Price	Rp 830
Upside/Downside	71%
Share Out (bn shares)	8.7
Market Cap (Rp bn)	Rp 4,026
52 – w range (low-high)	Rp 314 – Rp 650
Average daily turnover (Rp bn)	
1 month	Rp 5.0
3 month	Rp 5.7
YTD 2019	Rp 13.9

PRICE CHART



Source: Bloomberg

SHAREHOLDERS INFORMATION, AS OF 30 SEPTEMBER 2019

PT Wijaya Karya (Persero) Tbk	60.0%
Koperasi Karya Mitra Satya (KKMS)	6.1%
Yayasan Wlajaya Karya	1.0%
Public (below 5%)	28.6%
Treasury Stock	4.3%

Source: Company data

FORWARD PER BAND



Source: Bloomberg and Lotus Andalan Research

PT WIJAYA KARYA BETON Tbk

3Q19 Strong Result

WTON booked a strong 3Q19 result in which the revenue and net profit increased by 28.9% QoQ and 42.5% QoQ attained to Rp 1.7 trillion and to Rp 137 billion, respectively. The company managed to improve its 3Q19 gross margin by 140 bps to the level of 14.8% which was fuelled by higher margin from concrete product and service segments at the level of 15.3% and 14.1%, respectively. Recently, the share price has shrunk by 29% from its highest closing price YTD 2019 and traded at its 3-years average fwd PER band – 1 stdev of 6.17x. Keep BUY rating on the counter.

Strong 3Q19 Result – post Election Effect

On quarterly basis, the company managed to record a strong performance in 3Q19, in which the revenue and net profit increased by 28.9% QoQ and 42.5% QoQ attained to Rp 1.7 trillion (vs Rp 1.3 trillion in 2Q19) and to Rp 137 billion (vs 96 billion in 2Q19), respectively, thanks to higher infrastructure spending (usually happens in 2H19) and the completion of 2019 Presidential Election. We note that WTON's new contract soared by 66.1% QoQ became to Rp 2.1 trillion (vs Rp 1.3 trillion in 2Q19) which was mainly dominated from infrastructure project (~71% portion), i.e.: toll road projects (Pekanbaru-Pangkalan, Section 3A BORR toll road, Balikpapan-Samarinda, Serang-Panimbang and Pekanbaru-Dumail), Kulon Progo Airport's infrastructure project, Tahang Bridge and Hassanuddin Airport project.

Profitability continued to improve in 3Q19

The company managed to improve its profitability in 3Q19 as a result of its 3Q19 strong performance and its strategy as a one-stop solution of precast concrete business. We note that the gross margin surged by 140 bps to the level of 14.8% in 3Q19 (vs 13.4% in 2Q19) which was triggered from significant increases in concrete product and service gross margins by 115 bps (15.3% in 3Q19 vs 14.1% in 2Q19) and by 468 bps (14.1% in 3Q19 vs 9.4% in 2Q19), respectively. WTON's operating margin also improved significantly by 295 bps from 10.1% in 2Q19 to 13.0% in 3Q19 thanks to its lower operational expenses (-30.1% QoQ). As a result, the net margin during the same period also grew by 75 bps from 7.1% to 7.9%.

Forecast Revision - 9M19 below expectation

We cut our 2019 revenue and net profit forecast by 7.7% and 6.6% become to Rp 7.3 trillion (vs previously at Rp 7.9 trillion) and to Rp 495 billion (vs previously at Rp 530 billion) since the company 9M19 result came below our expectation, in which the revenue and net profit only formed 56% and 57% to previous 2019F due to 1H19 lower infrastructure spending and 2019 presidential election process that has delayed new project contract tenders. Note that, the company's revenue and net profit in 9M19 only grew by 6.5% YoY and 8.4% YoY reach to Rp 4.4 trillion (vs Rp 4.1 trillion in 9M18) and to Rp 303 billion (vs Rp 280 billion in 9M18), respectively.

Keep BUY rating with TP Rp 790/share

Given by those forecast revision, we obtain new fair value for WTON at Rp 790/share (from previously fair value of Rp 830/share) which implying a 9.73x PER 2020F target. Recently, the share price has shrunk by 29% from its highest closing price YTD 2019 and traded at its 3-years average fwd PER band – 1 stdev of 6.17x which was translated into an attractive valuation. Maintain BUY rating on the counter with 71% upside potential.

The Risk: 1) delays in infrastructure projects; 2) rising raw material prices; 3) weakening Rupiah currency; 4) delays in production capacity expansions; 5) contingencies from being labour-intensive; and 5) increasing competition.

Financial Summary

(Rp billion)	2017A	2018A	2019F	2020F	2021F
Revenue	5,362	6,931	7,252	9,642	11,143
EBITDA	709	959	989	1,296	1,473
Net profit	337	486	495	708	813
EPS (Rp)	39	56	57	81	93
PER (x)	11.94	8.28	8.13	5.69	4.95
BVPS (Rp)	307	352	392	456	525
PBV (x)	1.50	1.31	1.18	1.01	0.88
EV/EBITDA (x)	6.82	5.18	5.21	4.29	3.91
Dividend yield (%)	2.63	3.62	3.69	5.27	6.06
RoE (%)	13.22	16.94	15.29	19.16	19.03

Source: Company data and Lotus Andalan Research

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Interim Financial Result									
	9M18	9M19	YoY	FY19F-old	%cover	2Q19	3Q19	QoQ	The Comments
Assumption (In Rp billion)									
New Contract	5,381	4,798	-10.8%	9,077	53%	1,251	2,078	66.1%	Below - seasonal and Election effect
P/L (In Rp billion)									
Revenue	4,106	4,371	6.5%	7,858	56%	1,344	1,733	28.9%	Below - seasonal and Election effect
Cost of revenue	3,561	3,773	5.9%	6,847	55%	1,164	1,476	26.8%	
Gross profit	544	599	10.0%	1,011	59%	181	257	42.3%	
Operating Expense	115	108	-6.1%	186	58%	45	31	-30.1%	
Operating profit	429	490	14.3%	825	59%	136	226	66.6%	
EBITDA	596	683	14.6%	1,035	66%	209	286	37.3%	
Net Profit	280	303	8.4%	530	57%	96	137	42.5%	Below
Profitability									
Gross margin	13.3%	13.7%		12.9%		13.4%	14.8%		QoQ profitability improved thanks to the company's strategy transformation as one-stop solution
EBIT margin	10.4%	11.2%		10.5%		10.1%	13.0%		
EBITDA margin	14.5%	15.6%		13.2%		15.5%	16.5%		
Net margin	6.8%	6.9%		6.7%		7.1%	7.9%		
Revenue Breakdown									
Concrete	3,701	3,502	-5.4%			1,142	1,256	10.0%	
Quarry	12	63	423.8%			11	21	87.5%	
Service	392	806	105.5%			192	457	138.3%	
Total Revenue	4,106	4,371	6.5%			1,344	1,733	28.9%	
Gross Margin Breakdown									
Concrete	14.0%	14.5%				14.1%	15.3%		
Quarry	11.2%	5.6%				11.0%	4.0%		
Service	6.0%	11.0%				9.4%	14.1%		
Total Gross Margin	13.3%	13.7%				13.4%	14.8%		

Source: Company data and Lotus Andalan Research

Forecast Revision						
Rp billion	Old		New		Chg	
	2019F	2020F	2019F	2020F	2019F	2020F
Key Assumption						
New Contract	9,077	10,439	9,077	10,439	0.0%	0.0%
Carry Over	6,674	8,837	6,674	9,443	0.0%	6.9%
Total Order Book	15,751	19,275	15,751	19,881	0.0%	3.1%
Financial Statement						
Revenue	7,858	9,440	7,252	9,642	-7.7%	2.1%
Cost of revenue	6,847	8,203	6,300	8,355	-8.0%	1.9%
Gross profit	1,011	1,238	952	1,288	-5.9%	4.0%
Operating Expense	186	223	172	227	-7.7%	2.1%
Operating profit	825	1,015	780	1,060	-5.4%	4.5%
EBITDA	1,035	1,253	989	1,296	-4.4%	3.5%
Net Profit	530	671	495	708	-6.6%	5.5%
Profitability						
Gross margin	12.9%	13.1%	13.1%	13.4%		
EBIT margin	10.5%	10.8%	10.8%	11.0%		
EBITDA margin	13.2%	13.3%	13.6%	13.4%		
Net margin	6.7%	7.1%	6.8%	7.3%		

Source: Company data and Lotus Andalan Research

Financial Highlights of PT Wijaya Karya Beton Tbk

In Rp Billion									
BALANCE SHEET					INCOME STATEMENT				
	2017A	2018A	2019F	2020F		2017A	2018A	2019F	2020F
ASSETS									
Cash and cash equivalent	638	865	751	592	Total Revenues	5,362	6,931		9,642
Accounts Receivable	1,228	1,231	1,192	1,585					
Inventories	1,034	1,206	1,208	1,602	COGS	4,696	6,048	6,300	8,355
Other current assets	1,451	2,569	2,064	2,744					
Total Current Assets	4,351	5,871	5,215	6,523	Gross profit	667	882	952	1,288
Fixed Assets	2,679	2,948	3,247	3,590					
Investments in associates	-	-	-	-	Operating expenses	136	150	172	227
Other non-current assets	37	63	63	63					
Total Non-Current Assets	2,717	3,011	3,310	3,653	Operating profit	530	733	780	1,060
TOTAL ASSETS	7,068	8,882	8,525	10,176	EBITDA	709	959	989	1,296
LIABILITIES & EQUITY					Equity net income of associates	-	-	-	-
Short term loan	1,245	1,455	1,878	2,128	Interest income	4	5	8	7
Accounts Payable	1,223	1,146	1,208	1,602	Interest expenses	(89)	(95)	(138)	(154)
Current maturities - LT debts	200	-	-	-	Others	(26)	(23)	(26)	(25)
Other current liabilities	1,548	2,647	1,811	2,241	Total other income/(expenses)	(111)	(113)	(156)	(172)
Total Current Liabilities	4,216	5,248	4,898	5,971					
LT debt - net current maturities	-	350	-	-	Income before tax	420	619	624	888
MTN	-	-	-	-					
Other non-current liabilities	104	147	120	123	Tax expense	(79)	(133)	(125)	(178)
Total Non-Current Liabilities	104	497	120	123					
Minority Interest	72	72	94	109	Net profit before minority interest	340	487	499	710
Capital Stock	872	872	872	872					
Additional paid in capital	973	973	973	973	Minority interest	(3)	(0)	(4)	(3)
Others equity	(103)	(58)	(58)	(58)					
Retained earnings	935	1,278	1,627	2,186	Net profit	337	486	495	708
Total Equity	2,676	3,064	3,414	3,973					
TOTAL LIABILITIES & EQUITY	7,068	8,882	8,525	10,176	EPS (Rp)	39	56	57	81
CASH FLOW STATEMENT					KEY FINANCIAL RATIOS				
	2017A	2018A	2019F	2020F		2017A	2018A	2019F	2020F
Net profit	337	486	495	708	Growth (%)				
Depreciation & Amortization	179	226	209	236	Revenue	54.01	29.25	4.64	32.96
Change in WC	(281)	(252)	77	(379)	Gross profit	32.16	32.37	7.87	35.26
Others	(158)	332	(309)	(265)	Operating Profit	29.91	38.12	6.49	35.91
Net Operating Cash Flow	77	792	472	299	EBITDA	30.42	35.18	3.15	31.08
					Net Profit	23.49	44.27	1.82	42.88
Change in fixed assets - net	(639)	(494)	(508)	(579)					
Others	(33)	(26)	-	-	Profitability (%)				
Net Investing Cash Flow	(672)	(520)	(508)	(579)	Gross margin	12.43	12.73	13.13	13.35
					Operating margin	9.89	10.57	10.76	11.00
Change in borrowings - net	976	10	73	250	EBITDA margin	13.22	13.83	13.63	13.44
Change in equity	(2)	45	-	-	Net Profit margin	6.29	7.02	6.83	7.34
Change in other liabilities	(4)	43	(27)	4	ROAA	5.75	6.10	5.69	7.57
Dividend payment	(85)	(106)	(146)	(149)	ROAE	13.22	16.94	15.29	19.16
Adjustment	7	(37)	22	15					
Net Financing Cash Flow	891	(45)	(78)	120	Solvency (x)				
					Current ratio	1.03	1.12	1.06	1.09
Change in cash	296	227	(114)	(159)	Quick ratio	0.79	0.89	0.82	0.82
					DER	0.54	0.59	0.55	0.54
Cash at the beginning period	342	638	865	751	EBITDA coverage	8.01	10.11	7.16	8.40
Cash at the ending period	638	865	751	592	Net debt to equity	0.30	0.31	0.33	0.39

Source: Company data and Lotus Andalan Research

Notes:

The definitions of Lotus Andalan Research for Investment Ratings:

- **BUY** : +15% and above, over the next 12 months
- **Neutral** : -15% to +15%, over the next 12 months
- **SELL** : -15% and worse, over the next 12 months

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