

9 MARCH 2020

COMPANY UPDATE

BUY

STOCK INFORMATION

Bloomberg Code	WTON JJ
Sector	Precast Concrete
Current Price	Rp 346
Target Price	Rp 670
Previous Target Price	Rp 790
Upside/Downside	94%
Share Out (bn shares)	8.7
Market Cap (Rp bn)	Rp 3,015.6
52 – w range (low-high)	Rp 316 – Rp 650
Average daily turnover (Rp bn)	
1 month	Rp 2.1
3 month	Rp 3.1
YTD 2019	Rp 2.6

PRICE CHART



Source: Bloomberg

SHAREHOLDERS INFORMATION, AS OF 31 DECEMBER 2019

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

Source: Company data

FORWARD PER BAND



Source: Bloomberg and Lotus Andalan Research

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PT WIJAYA KARYA BETON TBK

4Q19 Seasonal Peak Effect

WTON's revenue and net profit increased by 56.5% QoQ and 53.1% QoQ attained to Rp 1.7 trillion and to Rp 137 billion in 4Q19 thanks to the seasonal peak of higher government infrastructure spending and its strong new contract realization of +67.9% QoQ. In all, the company's 2019 result came in line with our expectation in which the revenue and net profit reached 98% and 103% to our 2019F of Rp 7.3 trillion in revenue and Rp 495 billion in net profit, respectively. Keep BUY rating with new fair value of Rp 670 since the price traded at 5.52x PER 2020F which implying an attractive valuation.

Continued to record superior 4Q19

On quarterly basis, WTON continued to book a superior result in 4Q19 due to 1) the seasonal peak of higher government infrastructure spending; 2) its strong new contract realization of Rp 3.5 trillion (+67.9% QoQ, mainly dominated from infrastructure segment) and 3) the completion of 2019 Election. We note that the company's revenue and net profit in 4Q19 soared by 56.5% QoQ and 53.1% QoQ which attained to Rp 2.7 trillion (vs Rp 1.7 trillion in 3Q19) and to Rp 209 billion (vs Rp 137 billion in 3Q19), respectively.

An Inline 2019 Result

Supported by its strong performance during 2H19, WTON's 2019 result had come in with our expectation in which the revenue and net profit reached 98% and 103% to our 2019F of Rp 7.3 trillion in revenue and Rp 495 billion in net profit, respectively. Note that, the company's revenue and net profit inched up by 2.2% YoY and 5.4% YoY reached to Rp 7,1 trillion (vs Rp 6,9 trillion in 2018) and to Rp 512 billion (vs Rp 486 billion in 2018), respectively, which was mainly due to the delayed infrastructure tender projects related to 2019 President Election.

Improving profitability

On the profitability side, the company managed to improve its 2019 profitability in which the gross margin surged by 69 bps to the level of 13.4% (vs 12.7% in 2018) thanks to an increases in concrete product and service gross margins by 12 bps (13.5% in 2019 vs 13.3% in 2018) and by 447 bps (13.0% in 2019 vs 8.5% in 2018), respectively. At the bottom line, WTON's net margin also increased by 22 bps from 7.0% to 7.2% during the same period.

Maintain BUY Recommendation – TP Rp 670/share

Based on the discussion with the management, we forecast that the company's 2020 new contract will attain to Rp 10.3 trillion, lower than the company's guidance of Rp 11.4 trillion due to considerably the risks of delayed infrastructure projects. Hence, we forecast the revenue will grow 12.4% YoY to Rp 7.9 trillion in 2020F, while net profit will only slightly grow 6.7% YoY to Rp 546.5 billion due to the PSAK 71 implementation this year. As a result, we derive WTON's new fair value at Rp 670/share (previously at Rp 790/share). Recently, WTON's share price traded below IPO price which translated into an attractive valuation (PER 2020F 5.52x). Keep BUY rating on the counter with upside potential of 94%.

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

Financial Summary

(Rp billion)	2018A	2019A	2020F	2021F	2022F
Revenue	6,931	7,083	7,964	9,121	10,958
EBITDA	959	1,047	1,122	1,329	1,542
Net profit	486	512	546	703	830
EPS (Rp)	56	59	63	81	95
PER (x)	6.20	5.89	5.52	4.29	3.63
BVPS (Rp)	352	394	440	501	572
PBV (x)	0.98	0.88	0.79	0.69	0.60
EV/EBITDA (x)	4.13	4.01	4.09	3.37	3.23
Dividend yield (%)	5.06	5.10	5.44	6.99	8.26
RoE (%)	16.94	15.76	15.04	17.15	17.73

Source: Company data and Lotus Andalan Research

Interim Financial Result									
	2018	2019	YoY	FY19F	Cover	3Q19	4Q19	QoQ	The Comments
Assumption (In Rp billion)									
New Contract	7,664	8,287	8.1%	9,077	91%	2,078	3,489	67.9%	Inline – 4Q19 Seasonal Peak
P/L (In Rp billion)									
Revenue	6,931	7,083	2.2%	7,252	98%	1,733	2,712	56.5%	Inline
Cost of revenue	6,048	6,133	1.4%	6,300	97%	1,476	2,360	59.9%	
Gross profit	882	951	7.7%	952	100%	257	352	36.9%	
Operating Expense	150	155	3.6%	172	90%	31	47	51.4%	
Operating profit	733	798	9.0%	780	102%	226	308	36.2%	
EBITDA	956	1,047	9.5%	989	106%	286	364	27.0%	
Net Profit	486	512	5.4%	495	103%	137	209	53.1%	Inline
Profitability									
Gross margin	12.7%	13.4%		13.1%		14.8%	13.0%		YoY profitability improved thanks to the company's strategy transformation as one-stop solution
EBIT margin	10.6%	11.3%		10.8%		13.0%	11.4%		
EBITDA margin	13.8%	14.8%		13.6%		16.5%	13.4%		
Net margin	7.0%	7.2%		6.8%		7.9%	7.7%		
Revenue Breakdown									
Concrete	6,058	6,016	-0.7%			1,256	2,513	100.2%	
Quarry	52	75	44.8%			21	13	-38.9%	
Service	821	992	20.9%			457	186	-59.2%	
Total Revenue	6,931	7,083	2.2%			1,733	2,712	56.5%	
Gross Margin Breakdown									
Concrete	13.3%	13.5%				15.3%	12.0%		
Quarry	9.5%	16.9%				4.0%	72.5%		
Service	8.5%	13.0%				14.1%	21.6%		
Total Gross Margin	12.7%	13.4%				14.8%	13.0%		

Source: Company data and Lotus Andalan Research

Financial Highlights of PT Wijaya Karya Beton Tbk

In Rp Billion									
BALANCE SHEET					INCOME STATEMENT				
	2018A	2019A	2020F	2021F		2018A	2019A	2020F	2021F
ASSETS									
Cash and cash equivalent	865	1,602	553	859	Total Revenues	6,931	7,083	7,964	9,121
Accounts Receivable	1,231	1,331	1,418	1,624	COGS	6,048	6,133	6,910	7,861
Inventories	1,206	1,148	1,325	1,507	Gross profit	882	951	1,054	1,261
Other current assets	2,569	3,087	3,186	3,649	Operating expenses	150	155	183	202
Total Current Assets	5,871	7,169	6,482	7,639	Operating profit	733	795	871	1,059
Fixed Assets	2,948	3,012	3,080	3,174	EBITDA	959	1,047	1,122	1,329
Investments in associates	-	-	-	-	Equity net income of associates	-	-	-	-
Other non-current assets	63	157	157	157	Interest income	5	8	11	7
Total Non-Current Assets	3,011	3,169	3,236	3,331	Interest expenses	(95)	(146)	(154)	(167)
TOTAL ASSETS	8,882	10,338	9,719	10,970	Others	(23)	(31)	(56)	(37)
LIABILITIES & EQUITY					Total other income/(expenses)	(113)	(169)	(200)	(197)
Short term loan	1,455	2,036	2,128	2,328	Income before tax	619	626	671	862
Accounts Payable	1,146	899	1,136	1,292	Tax expense	(133)	(116)	(124)	(159)
Current maturities - LT debts	-	250	-	-	Net profit before minority interest	487	511	547	703
Other current liabilities	2,647	3,011	2,417	2,760	Minority interest	(0)	2	(1)	0
Total Current Liabilities	5,248	6,195	5,680	6,380	Net profit	486	512	546	703
LT debt - net current maturities	350	534	-	-	EPS (Rp)	56	59	63	81
MTN	-	-	-	-	KEY FINANCIAL RATIOS				
Other non-current liabilities	147	100	117	121		2018A	2019A	2020F	2021F
Total Non-Current Liabilities	497	634	117	121	Growth (%)				
Minority Interest	72	71	91	99	Revenue	29.25	2.20	12.43	14.53
Capital Stock	872	872	872	872	Gross profit	32.37	7.74	10.86	19.65
Additional paid in capital	973	973	973	973	Operating Profit	38.12	8.58	9.48	21.57
Others equity	(58)	(58)	(58)	(58)	EBITDA	35.18	9.18	7.21	18.48
Retained earnings	1,278	1,651	2,044	2,583	Net Profit	44.27	5.34	6.66	28.64
Total Equity	3,064	3,438	3,830	4,370	Profitability (%)				
TOTAL LIABILITIES & EQUITY	8,882	10,338	9,719	10,970	Gross margin	12.73	13.42	13.23	13.82
CASH FLOW STATEMENT					Operating margin	10.57	11.23	10.93	11.61
	2018A	2019A	2020F	2021F	EBITDA margin	13.83	14.77	14.09	14.57
Net profit	486	512	546	703	Net Profit margin	7.02	7.23	6.86	7.71
Depreciation & Amortization	226	251	251	271	ROAA	6.10	5.33	5.45	6.80
Change in WC	(252)	(323)	(5)	(236)	ROAE	16.94	15.76	15.04	17.15
Others	(18)	(87)	(749)	(116)	Solvency (x)				
Net Operating Cash Flow	442	353	44	622	Current ratio	1.12	1.16	1.14	1.20
Change in fixed assets - net	(494)	(315)	(319)	(365)	Quick ratio	0.89	0.97	0.91	0.96
Others	(26)	(94)	-	-	DER	0.59	0.81	0.56	0.53
Net Investing Cash Flow	(520)	(409)	(319)	(365)	EBITDA coverage	10.11	7.17	7.27	7.95
Change in borrowings - net	360	980	(658)	200	Net debt to equity	0.31	0.34	0.41	0.34
Change in equity	45	-	-	-	Source: Company data and Lotus Andalan Research				
Change in other liabilities	43	(47)	17	4					
Dividend payment	(106)	(153)	(154)	(164)					
Adjustment	(37)	12	20	8					
Net Financing Cash Flow	305	793	(775)	49					
Change in cash	227	737	(1,049)	306					
Cash at the beginning period	638	865	1,602	553					
Cash at the ending period	865	1,602	553	859					

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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