

Investment Consideration

Strong order book

As of 9M17, WTON managed to book new contracts of IDR. 4,196 trillion with a total order book totaling IDR. 8,2 trillion up 78% yoy or 74% of the total order book target for 2017 of 10,96 trillion. New contracts mainly came from non WIKA at 72%, WIKA group contributed 25%, and 3% came from WTON's subsidiary. In terms of sector, Infrastructure was 59.9%, Energy 29.9%, Industry 6.2%, property 3% and Mining 1% only. Going forward, In line with the history of WTON's new contracts, new contract volume will be supported mainly by the infrastructure sector and from private-local customers. We are targeting total order book to grow 26% CAGR during 2017F-2018F.

Targeting more market share

WTON plans to capture more market share in future by increasing production capacity to 3 mn tons in 2017 and 3,3 million tons in 2018F. In 2017, additional capacity will come from the Subang factory with a total capacity of 350,000 tons focused on Box girder products. And the rest from additional line capacity in South Lampung. Currently, Subang is supplying projects such as LRT Kelapa Gading - Velodrome and BORR phase II until 2019. Additional future capacity will come from the addition of capacity in the existing factory. WTON will also capture market share in precast for landed houses and apartments through its JV company called WIKA Pracetak Gedung as demand in this market is still low. In addition, WTON continues to develop and innovate in precast products in order to be ahead of its peers. For example, in box girder WTON is able to develop with diameter above its peers, in Immer Bore units, WTON is the only one who is using Inner Bore Technology in Indonesia, and a new area, floating dock precast for ports.

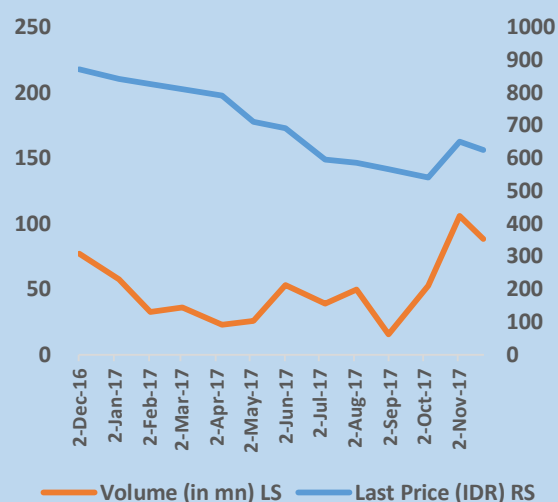
Valuation: 52% upside

Based on DCF with WACC 9.5%. we are targeting a target price within one year of IDR. 775/shares or trading at 17.1 PER, which gives 52% upside compared to the latest closed price. BUY

	2013A	2014A	2015A	2016A	2017F	2018F
Profit and Loss						
(IDR.bn)						
Revenue	2,644	3,277	2,653	3,482	4,628	5,342
Cost of revenues	(2,256)	(2,790)	(2,324)	(2,977)	(3,980)	(4,594)
Gross Profit	388	487	329	504	648	748
Operating expense	(52)	(77)	(90)	(96)	(139)	(160)
Operating Profit	336	410	238	408	509	588
Other income	(8)	3	(32)	(68)	(93)	(107)
taxes	(87)	(89)	(34)	(59)	(96)	(82)
Minority interest	2	6	2	(9)	(4)	(5)
Net Profit	243	330	174	272	317	394
EPS	36	38	20	31	36	45
EBITDA	393	492	322	517	668	796

7 December 2017
Precast, Equity

Price **IDR. 510**
Target Price **IDR. 775**
JKSE Index **6,035.508**



Stock Code
Bloomberg code **WTON IJ**
Market cap (IDR.bn) **5,272.9**
52-Week High (IDR) **885**
52-Week Low (IDR) **496**
6-m Avg Daily. Val (IDR) **605**
Free Float (%) **27.96**

Major Shareholders (%)
WIKA **60.00%**
KKMS **6.99%**
Yayasan Wijaya Karya **0.99**
Public **27.69%**

USD/IDR-YE
2016A **13,513**
2017F (6M Avg) **13,392**

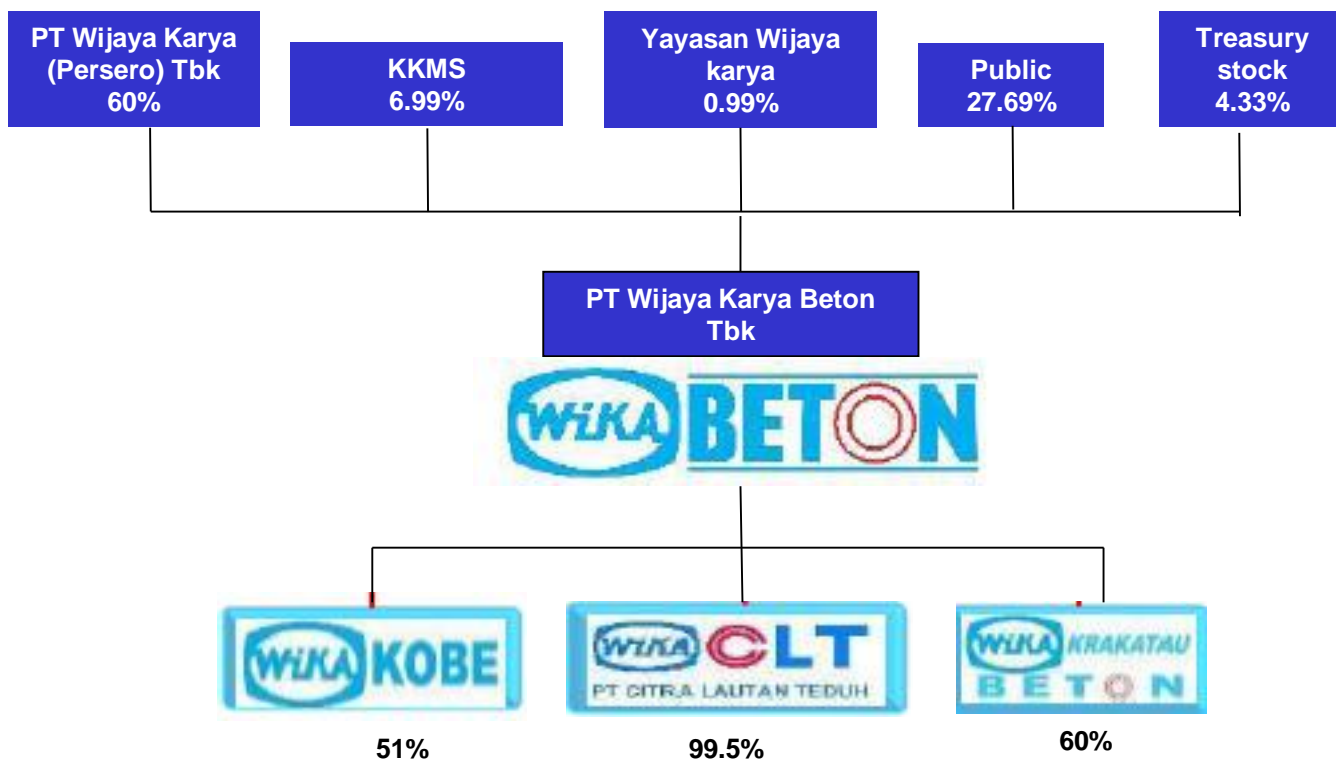
Key Indicators **2018F**
Total Debt/ Equity (x) **1.60**
Current ratio (x) **1.17**

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Company Profile

PT Wijaya Karya Beton Tbk was established as one of PT Wijaya Karya (Persero) Tbk subsidiaries in 1997 with the vision to become the leading company in precast concrete. Today, WIKA Beton Tbk is the biggest precast concrete manufacturer in Indonesia, even South East Asia. The other advantages of PT WIKA Beton Tbk is they have 14 factories spread across Indonesia using Precast Engineering-Production-Installation (EPI) technology. WIKA Beton Tbk has 3 subsidiaries, they are; PT Wijaya Karya Komponen Beton (WIKAKOBE) in 2012, PT Wijaya Karya Krakatau Beton at the end of 2013, and PT Citra Lautan Teduh in September 2014, and 1 associate company which is PT Wijaya Karya Pracetak Gedung at the end of 2016. Until 2016, WIKA Beton has never changed its name. In terms of Business units, the company is engaged in precast concrete, construction service, and other related business lines. WTON is widely known as the producer of high quality concrete products, like: pre-stressed concrete piles, bridge girder products, pipes, railway sleepers, retaining wall concrete products, hydro structure products, and building concrete products. In producing qualified concrete, the Company operates 2 (two) production processes, Centrifugal Precast Concrete and Non-Centrifugal Precast Concrete production. In order to assist production activities and sales, the Company also provides supporting services, including engineering, installation, distribution, construction, as well as post-tensioning services. Going forward, WTON will develop new products to gain market share such as a new precast called floating dock precast currently being tested in a pilot project on the north coast of Jakarta near WTON's work location area.

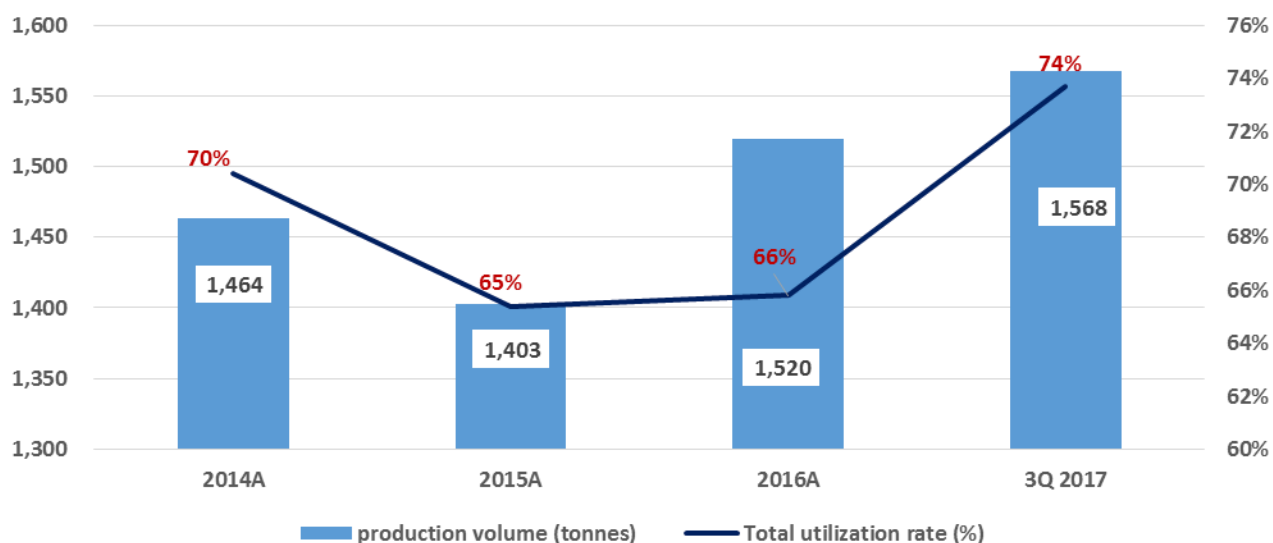
Company Structure



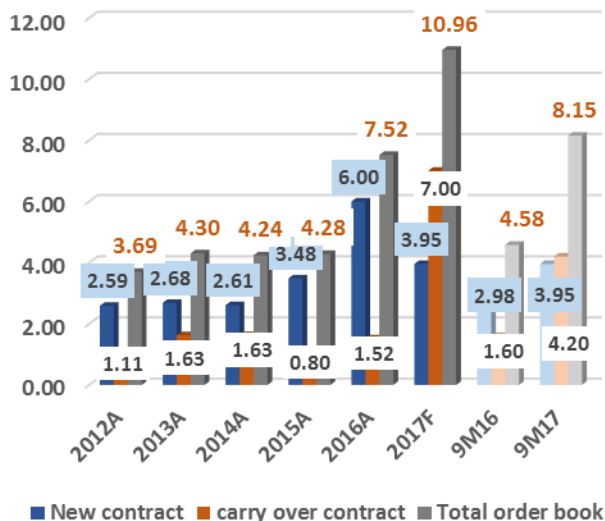
Coverage area of WTON



Utilization rate and production volume of WTON yoy



WTON's new contract, carry over , and total order book yoy (IDR. In trn)

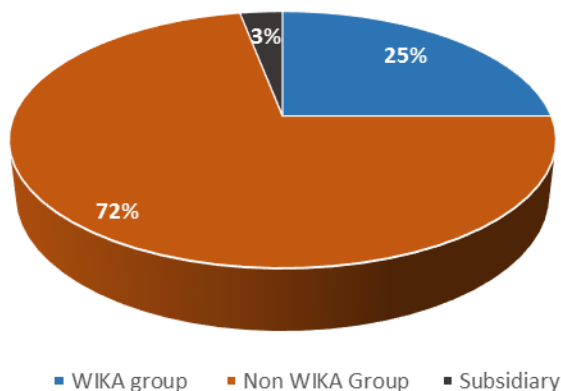


Strong order book

As of 9M17, WTON managed to book new contracts of IDR. 4,196 trillion with a total order book of 8,18 trillion up 78.6% yoy and 74% of the target for 2017 of 10,96 trillion. Contribution of new contracts mainly came from non WIKA group at 72%, WIKA group contributed 25%, and 3% came from WTON's subsidiaries. In terms of sector, Infrastructure was 59.9%, Energy 29.9%, Industry 6.2%, Property 3% and Mining 1% only. Going forward, WTON's new contract growth will be supported mainly by infrastructure and come from private-local customers. According to the company, in 2018, the contribution of WIKA group will be inline with 2017. Some of the big infrastructure projects that are part of the company's contracts are LRT Corridor I Kelapa Gading – Velodrome, 5.8 Km, targeted for completion in December 2017, the Elevated railway project - North Sumatra between Medan – Kualanamu (International Airport), length 8,05 Km, MRT underground project, Balikpapan – Samarinda toll road (WTON supplies ready mix to this project). All projects are targeted to be finished by 2018. In terms of order book, we are targeting total order book growth of 26% CAGR during 2017F-2018F.

WTON's new contract customer profile based on ownership in 3Q17

New contract portion 3Q17



Targeting more market share

WTON plans to capture more market share in future by increasing production capacity to 3 mn tons in 2017 and 3,3 million tonnes in 2018F. In 2017, additional capacity will come from the Subang factory with a total 350,000 tonnes capacity which will focus on Box girder products and the rest from additional line capacity in South Lampung. Currently, the Subang factory is supplying projects such as LRT Kelapa Gading - Velodrome and BORR phase II until 2019. Additional future capacity will come from the existing factory. WTON also has a joint venture company with Wika Gedung with 49% ownership. The company is called Wijaya Karya Pracetak Gedung and will help to generate more other income for WTON's bottom line in the long term. This new JV will capture market share in precast for landed houses and apartments while demand in this market is still too low for WTON. WTON also continues to develop and innovate in various precast products to be ahead of its peers such as in box girder where WTON can develop box girder with diameter above its peers, inner bore units where WTON is the only one who using Inner Bore Technology in Indonesia, and a new product called floating dock precast for ports.

WTON's new contract customer profile based on business line in 3Q17

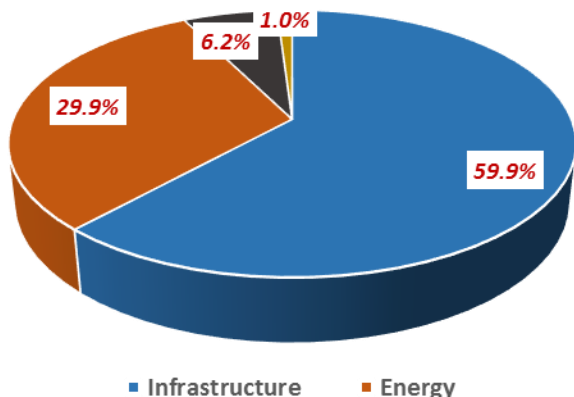
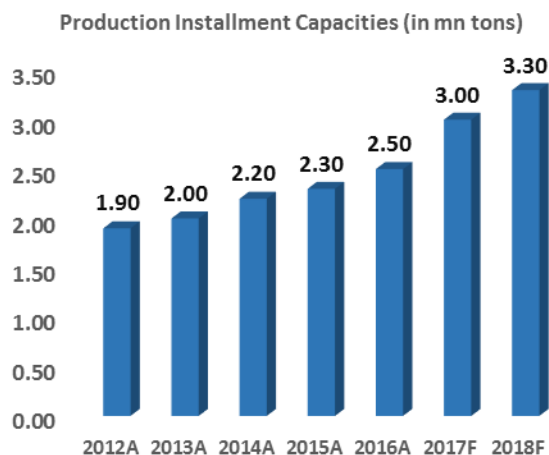


Chart: WTON's production installment capacities yoy



Valuation: 52% upside

Strong contract volume, additional capacity, innovation in products and more market share will support the long term profitability of WTON. Based on DCF with WACC 9.5%. we are targeting a target price within one year of IDR. 775/shares, or trading at 19.8 PER. This gives 52% upside compared to latest closed price. BUY,

Profit and Loss (IDR.bn) yoy

Profit and Loss (IDR.bn)	2013A	2014A	2015A	2016A	2017F	2018F
Revenue	2,644	3,277	2,653	3,482	4,628	5,342
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Net Profit	243	330	174	272	317	394
EPS	36	38	20	31	36	45
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Balance Sheet (IDR.bn)

Balance sheet (IDR.in bn)	2013A	2014A	2015A	2016A	2017F	2018F
Cash and cash equivalent	413.03	1,038.47	823.63	342.21	359.06	677.24
Trade Account Receivable	421.91	475.69	570.11	653.48	1,388.36	1,602.72
inventory	846.03	457.60	694.46	622.48	1,156.96	1,335.60
Other current asset	215.06	155.60	366.71	821.76	1,619.75	1,869.84
Total current Asset	1,896.02	2,127.36	2,454.91	2,439.94	4,524.13	5,485.40
Net Fixed Asset	1,012.11	1,671.21	1,997.51	2,219.22	2,586.64	2,956.24
other long term asset	8.76	4.09	3.67	3.16	37.93	43.79
Total non current Asset	1,020.86	1,675.29	2,001.19	2,222.38	2,624.57	3,000.03
Total Asset	2,916.88	3,802.66	4,456.10	4,662.32	7,148.71	8,485.43
Trade account payable	325.10	420.10	557.49	664.14	1,156.96	1,335.60
Short Term bank loans	172.52	198.96	131.49	349.74	1,539.76	1,739.76
Advances from customer	78.46	65.63	209.00	125.60	254.53	293.83
Other Current liabilities	1,218.27	825.17	895.49	724.32	1,156.96	1,335.60
Total current liabilities	1,794.35	1,509.86	1,793.46	1,863.79	4,108.22	4,704.79
Long term loans bank	2.55	0.00	320.00	200.00	50.00	80.00
MTN	366.00	0.00	0.00	0.00	0.00	300.00
finance lease liabilities	0.00	1.17	0.00	0.00	0.00	0.00
Other Long term liabilities	43.41	89.03	79.21	108.05	129.58	133.56
Total non current liabilities	411.96	90.21	399.21	308.05	179.58	513.56
Total Liabilities	2,206.31	1,600.07	2,192.67	2,171.84	4,287.80	5,218.35
Total Equities	710.57	2,202.59	2,263.43	2,490.47	2,860.91	3,267.08
Total Liabilities and equity	2,916.88	3,802.66	4,456.10	4,662.32	7,148.71	8,485.43

Cash flow (IDR.bn)

Cash Flow (IDR. bn)	2014A	2015A	2016A	2017F	2018F
Net Income	330	174	272	317	394
Depreciation	85	90	137	152	173
Change in WC	110	(259)	(396)	177	(47)
Cash From Operating Activities	524	5	13	645	521
capex	(744)	(416)	(359)	(519)	(543)
Other non current asset	5	0	1	(35)	(6)
cash from investing activities	(739)	(416)	(358)	(554)	(549)
Long term loans	(369)	319	(120)	(150)	330
finance lease liabilities	1	(10)	29	22	4
Other Long term liabilities	45.63	309.00	(91.16)	(128)	334
Equity	1,162.21	479.56	(66.20)	53.89	11.90
cash from financing activities	840.45	1,097.56	-248.52	(203)	680
Net Changes in Cash	625	(215)	(481)	17	318
Beginning Balance	413	1,038	824	342	359
Ending balance	1,038	824	342	359	677

Ratio Highlights

	2013 A	2014 A	2015 A	2016 A	2017 F	2018 F
Growth (% YoY)						
Sales		23.96%	-19.06%	31.26%	32.92%	15.44%
OP		22.01%	-41.87%	71.23%	24.69%	15.44%
EBITDA		25.09%	-34.52%	60.75%	41.37%	19.19%
NP		35.80%	-47.28%	56.68%	16.19%	24.55%
EPS		3.93%	-47.28%	56.68%	16.19%	24.55%
Profitability						
Operating Margin(%)	12.72%	12.52%	8.99%	11.73%	11.00%	11.00%
EBITDA margin(%)	14.86%	15.00%	12.14%	14.86%	15.81%	16.32%
NET Profit margin(%)	9.19%	10.06%	6.55%	7.82%	6.84%	7.38%
ROA(%)	8.33%	8.67%	3.90%	5.84%	4.43%	4.65%
ROE(%)	34.18%	14.97%	7.68%	10.94%	11.06%	12.07%
Liquidity						
Current ratio (X)	1.06	1.41	1.37	1.31	1.10	1.17
cash ratio (x)	0.23	0.69	0.46	0.18	0.09	0.14
Solvability						
Tot debt/ Equity	3.10	0.73	0.97	0.87	1.50	1.60
Debt ratio	0.76	0.42	0.49	0.47	0.60	0.61
Per Share data (Rp)						
EPS	36.41	37.84	19.95	31.26	36.32	45.24
BVS	106.53	252.72	259.70	285.75	328.26	374.86

Stock Ratings:

Buy: a recommendation to purchase the security with upside potential of 20% or greater

Hold: a recommendation to neither buy nor sell a security with upside potential of 0-19%.

Sell: a recommendation to close out a long position in a security with upside potential below 0% or negative.

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