

10 March 2020
Precast, Equity

Price **IDR. 314**
Target Price **IDR. 580**
JKSE Index **5136.81**



Stock Code WTON IJ
Bloomberg code 3015.6
Market cap (IDR.bn) 680
52-Week High (IDR) 308
52-Week Low (IDR) 437
6-m Avg Daily. Val (IDR) 35.57
Free Float (%)

Major Shareholders (%)
WIKABETON 78.40%
KKMS 9.75%
Yayasan Wijaya Karya 1.29%
Public 35.57%

USD/IDR-YE
2019A 14243
2020F (Avg) 13866

Key Indicators 2020F
Total Debt/ Equity (x) 2.14
Current ratio (x) 1.08

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Investment Consideration New Contracts Jump

WTON is targetting new contracts of IDR 11.4 tn in 2020, up 37% compared to last year. The significant increase is mainly due to large projects which were postponed from 2019 to 2020 which includes many infrastructure projects. As of 2019FY, New contracts were IDR.8.29 trillion of which the largest is the Pekanbaru – Padang toll road, Bengkinang – Pangkalan section which is worth IDR. 1.5 trillion. As of 2019, the top 3 customers are WIKABETON Group 27.4%, SOEs 34.1%, and Private companies at 38.5%. WTON's new contracts not only come from production but also installation services which can range from 10-20% of the product value for large projects. We believe WTON will be able to achieve their full year target because despite the slowdown in the 1H, the yoy growth trend is rising.

Stronger market share

To strengthen their position, WTON is trying to increase market share with higher capacity. As of 2019FY, Precast capacity has already been upgraded to 4.05 mn tons mostly in the existing plants. In addition, WTON plans to have new plants in Pekanbaru and Balikpapan and is currently selecting strategic locations. 2 new mobile plants in Pekanbaru and Medan will also supply mostly ready mix to support the Pekanbaru-Padang toll road project, The Pekanbaru Mobile plant has been completed and start production while Medan is still under construction and estimated to be finished and start producing in 3Q20.

Maintaining margin

In order to maintain margins amid higher competition, WTON's business strategy for 2020 is to invest in Supply Chain management (SCM) by integrating operations in order to be faster, cheaper and more efficient. WTON is starting planning for SCM in their Pasuruan Plant. WTON targets to have the SCM strategy implemented in 2H20 throughout the company so that efficiency is higher in 2021. We estimate average EBITDA margin from 2020-2021F will be 13.2%

Valuation: 85% upside

Based on an adjusted WACC of 8.3%, we have a one-year target price of IDR 580/share, which is 10.4x PER and below our previous target. But this still represents 85% upside. Maintain BUY.

Profit and Loss						
(IDR.bn)	2017A	2018A	2019A	2020F	2021F	
Revenue	5,362	6,931	7,083	8,651	10,616	
Cost of revenues	(4,696)	(6,048)	(6,133)	(7,526)	(9,236)	
Gross Profit	667	882	951	1,125	1,380	
Operating expense	(136)	(150)	(155)	(173)	(212)	
Operating Profit	530	733	795	952	1,168	
Other income	(111)	(75)	(169)	(255)	(322)	
Pretax income(PBT)						
taxes	(79)	(170)	(116)	(125)	(152)	
Minority interest	(3)	(0)	2	(0)	(1)	
Net Profit	337	486	512	571	693	
EPS	39	56	59	65	79	
EBITDA	681	971	1,013	1,137	1,397	

Chart: WTON's production installment capacities yoy

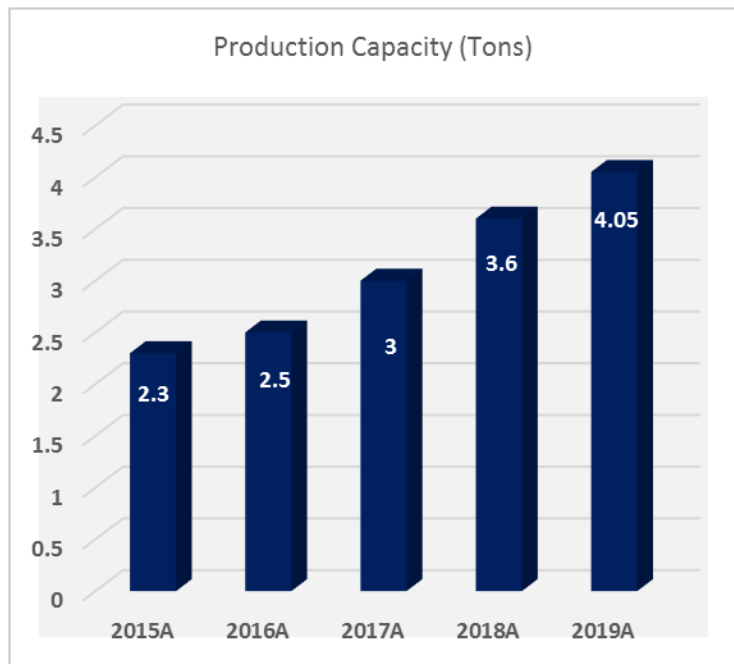


Chart: New contract and carry over contract yoy (in IDR. Trillion)

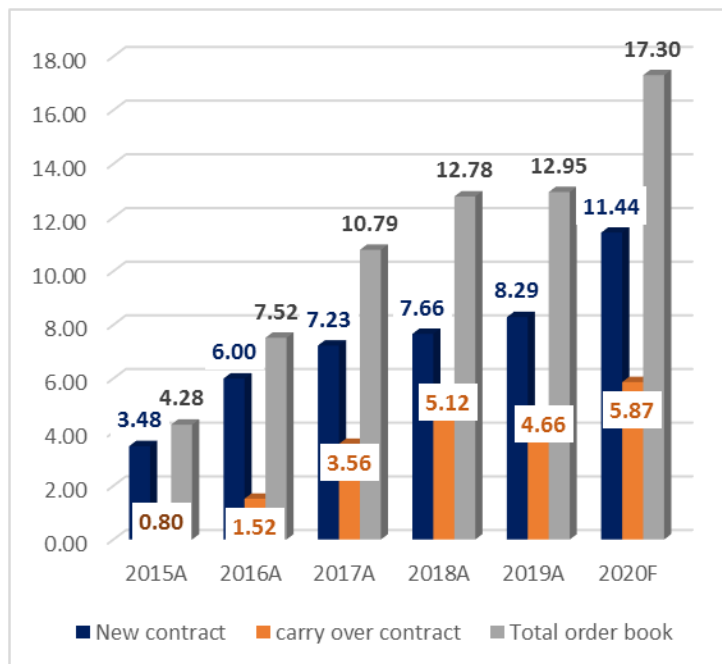


Chart: WTON's company profile based on business line (% from revenue)

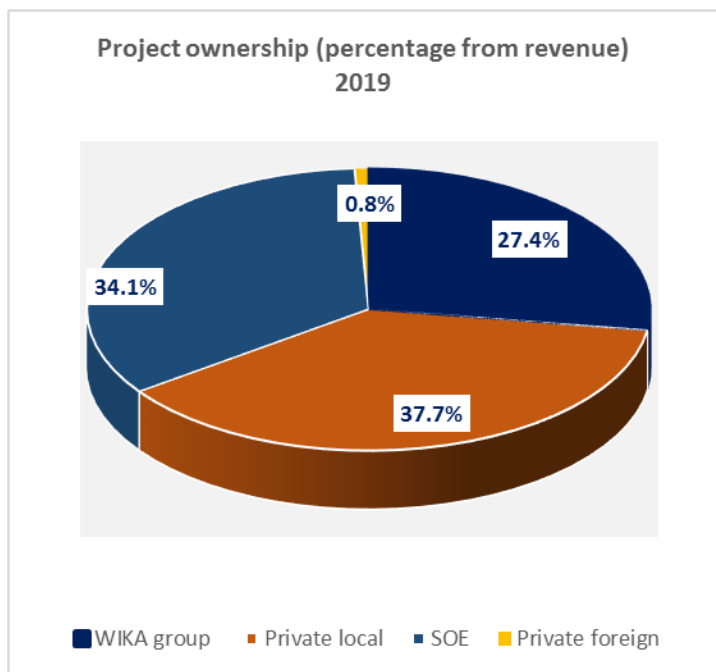
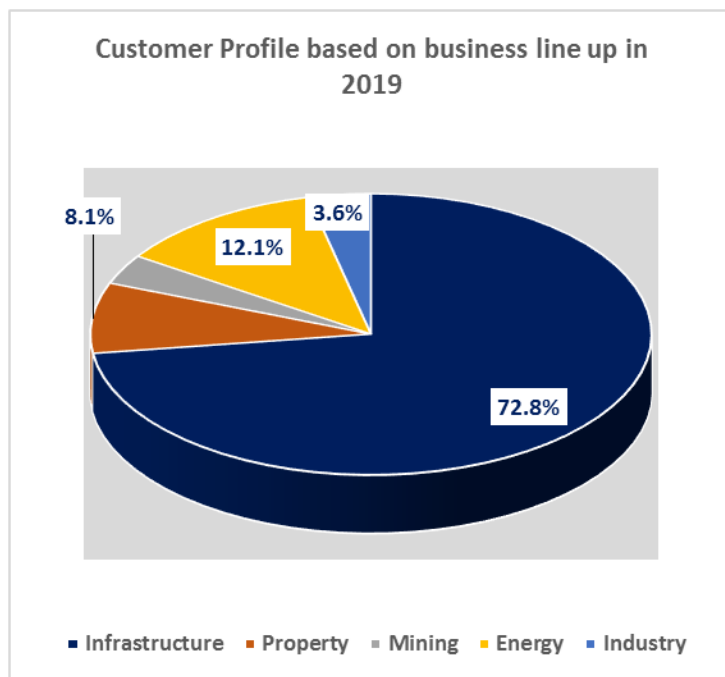


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Balance sheet (IDR.bn) yoy

Balance sheet (IDR.in bn)	2017A	2018A	2019A	2020F	2021F
Cash and cash equivalent	637.76	865.02	1,602.28	1,275.93	715.13
Trade Account Receivable	1,219.48	1,213.12	1,309.53	1,516.89	1,745.04
inventory	1,034.18	1,206.10	1,148.38	1,649.62	2,024.24
Other current asset	1,459.97	2,586.47	3,108.72	3,460.41	4,246.26
Total current Asset	4,351.38	5,870.71	7,168.91	7,902.86	8,730.66
Net Fixed Asset	2,679.46	2,947.96	3,012.08	3,637.05	4,267.20
other long term asset	37.14	63.10	156.91	173.02	212.31
Total non current Asset	2,716.60	3,011.06	3,168.98	3,810.07	4,479.52
Total Asset	7,067.98	8,881.78	10,337.90	11,712.92	13,210.18
Trade account payable	1,223.39	1,146.17	898.55	1,185.07	1,366.95
Short Term bank loans	1,245.42	1,455.22	2,035.68	2,849.96	3,704.95
Advances from customer	304.37	555.71	413.50	692.08	849.25
Other Current liabilities	1,443.14	2,090.98	2,847.32	2,595.31	2,526.52
Total current liabilities	4,216.31	5,248.09	6,195.05	7,322.42	8,447.66
Long term loans bank	0.00	350.00	500.00	500.00	600.00
MTN	0.00	0.00	0.00	0.00	0.00
finance lease liabilities	0.00	39.75	34.21	34.21	34.21
Other Long term liabilities	103.73	107.12	100.18	133.72	164.08
Total non current liabilities	103.73	496.88	634.39	667.93	798.30
Total Liabilities	4,320.04	5,744.97	6,829.45	7,990.35	9,245.96
Total Equities	2,747.94	3,136.81	3,508.45	3,722.57	3,964.22
Total Liabilities and equity	7,067.98	8,881.78	10,337.90	11,712.92	13,210.18

Cash flow (IDR.bn)

Cash Flow (IDR. bn)	2017A	2018A	2019A	2020F	2021F
+ Net Income	337	486	512	571	693
+Depreciation	177	224	249	253	306
- Change in WC	737	(260)	386	67	(263)
Cash From Operating Activities	1,251	450	1,147	891	735
capex	(637)	(492)	(313)	(878)	(936)
Other non current asset	(34)	(26)	(94)	(16)	(39)
cash from investing activities	(671)	(518)	(407)	(894)	(975)
Long term loans	(200)	350	150	0	100
finance lease liabilities	0	40	(6)	0	0
Other Long term liabilities	(4)	3	(7)	34	30
Equity	(80)	(97)	(141)	(357)	(451)
cash from financing activities	(284)	296	(3)	(323)	(321)
Net Changes in Cash	296	227	737	(326)	(561)
Beginning Balance	342	638	865	1,602	1,276
Ending balance	638	865	1,602	1,276	715

Ratio Highlights

Ratio Highlights	2017 A	2018 A	2019 A	2020 F	2021 F
Growth (% YoY)					
Sales	54.01%	29.25%	2.20%	22.13%	22.71%
OP	29.91%	38.12%	8.58%	19.64%	22.71%
EBITDA	31.66%	42.50%	4.30%	12.31%	22.82%
NP	23.75%	44.27%	5.34%	11.41%	21.36%
EPS	23.75%	44.27%	5.34%	11.41%	21.36%
Profitability					
Operating Margin(%)	9.89%	10.57%	11.23%	11.00%	11.00%
EBITDA margin(%)	12.71%	14.01%	14.30%	13.15%	13.16%
NET Profit margin(%)	6.29%	7.02%	7.23%	6.60%	6.53%
ROA(%)	4.77%	5.48%	4.96%	4.87%	5.24%
ROE(%)	12.27%	15.50%	14.60%	15.33%	17.47%
Liquidity					
Current ratio (X)	1.03	1.12	1.16	1.08	1.03
cash ratio (x)	0.15	0.16	0.26	0.17	0.08
Solvability					
Tot debt/ Equity	1.57	1.83	1.95	2.15	2.33
Debt ratio	0.61	0.65	0.66	0.68	0.70
Per Share data (Rp)					
EPS	38.68	55.80	58.79	65.49	79.48
BVS	315.29	359.91	402.55	427.12	454.85

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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