

### Investment Consideration

#### Higher New contract target

WTON is targeting 2021F contracts of IDR 8 trillion compared to IDR. 4,27 trillion new contracts in 2020A. We are targeting 70% of that to be realized this year in the midst of the ongoing pandemic. The new contracts target is still dominated by infrastructure projects. Based on customer profile (% of revenue), most new contracts in 2020 are from parent WIKA Group and SOEs at 25,8% and 38,9% respectively. WTON is still mitigating the impact of the current pandemic by maximizing sales from carry over contracts (IDR 4,4 trillion) including from WIKA Group. WTON is also monitoring production and distribution schedules to control inventory, disbursement of receivables, securing contracts, and securing payments. Those are WTON's strategies in the midst of the pandemic. In addition, WTON continues to grow and develop in 2021 by launching new products, namely CLC (Concrete Level Crossing), precast for road-level railroad crossings and SHMS (Structural health monitoring systems) for detecting the structural health of a bridge. We believe WTON will achieve better results this year through their strategies and efficiencies.

#### Targeting a better net margin

WTON 2020 net margin decreased significantly to 2.67% compared to 7.23% in 2019. This was due to a decrease in plant utilization from the normal 80-85% to just 51% in 2020, resulting in inefficiencies in production costs which eroded the GPM. Inefficiencies occur when plant utilization is below normal. As a result, the NPM was down too. We estimate, margins will improve when production and utilization improve in 2021, to a target of 70%. In addition, WTON is also improving efficiency by combining the Karawang concrete plant with the Subang plant to become one. Total sales areas are reduced to 6. We are targeting the 2021F net margin to improve to 3,92%.

#### Valuation: 38% upside

Based on our adjustments, we have a target price of IDR. 410/share, which is 11x PER. With 38% potential upside, we maintain BUY.

Profit and Loss						
(IDR.bn)	2017A	2018A	2019A	2020A	2021F	2022F
<b>Revenue</b>	<b>5.362</b>	<b>6.931</b>	<b>7.083</b>	<b>4.803</b>	<b>5.500</b>	<b>6.633</b>
Cost of revenues	(4.696)	(6.048)	(6.133)	(4.494)	(4.950)	(5.970)
<b>Gross Profit</b>	<b>667</b>	<b>882</b>	<b>951</b>	<b>310</b>	<b>550</b>	<b>663</b>
Operating expense	(136)	(150)	(155)	(125)	(110)	(133)
<b>Operating Profit</b>	<b>530</b>	<b>733</b>	<b>795</b>	<b>184</b>	<b>440</b>	<b>531</b>
Other income	(111)	(75)	(169)	(54)	(177)	(133)
taxes	(79)	(170)	(116)	(7)	(47)	(72)
Minority interest	(3)	(0)	2	5	(0)	(0)
<b>Net Profit</b>	<b>337</b>	<b>486</b>	<b>512</b>	<b>128</b>	<b>216</b>	<b>326</b>
EPS	39	56	59	15	25	37
<b>EBITDA</b>	<b>681</b>	<b>971</b>	<b>1.013</b>	<b>438</b>	<b>680</b>	<b>843</b>

14 April 2021  
Precast, Equity

Price **IDR. 298**  
Target Price **IDR. 410**  
JKSE Index **5979.39**



Stock Code **WTON IJ**  
Bloomberg code **2700**  
Market cap (IDR.bn) **525**  
52-Week High (IDR) **212**  
52-Week Low (IDR) **284**  
6-m Avg Daily. Val (IDR) **33.14**  
Free Float (%) **33.14**

Major Shareholders (%)  
WIKABETON **60.00%**  
KKMS **5.87%**  
Yayasan Wijaya Karya **0.99%**  
Public **33.14%**

USD/IDR-YE  
2020A **14055**  
2021F **14580**

Key Indicators **2021F**  
Total Debt/ Equity (x) **1.76**  
Current ratio (x) **1.13**

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Chart: WTON's production installment capacities yoy

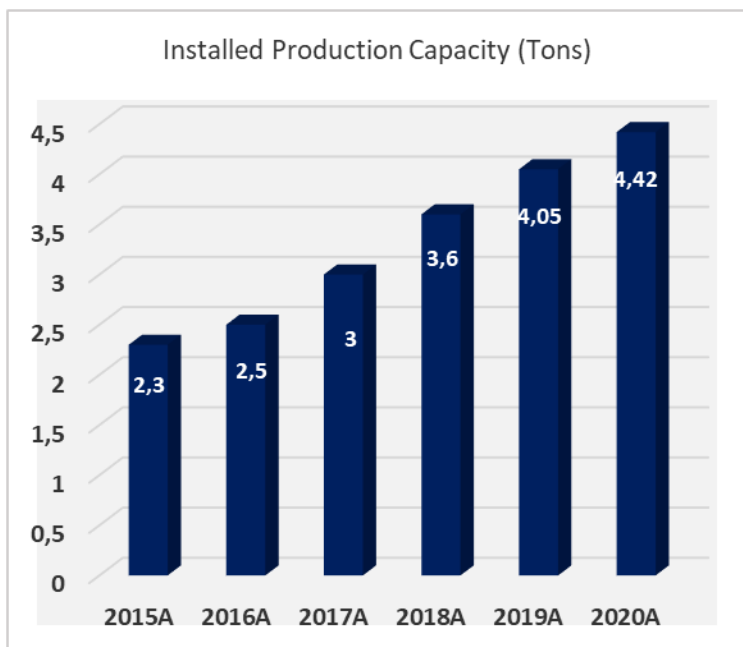


Chart: New contract and carry over contract yoy (in IDR. Trillion)

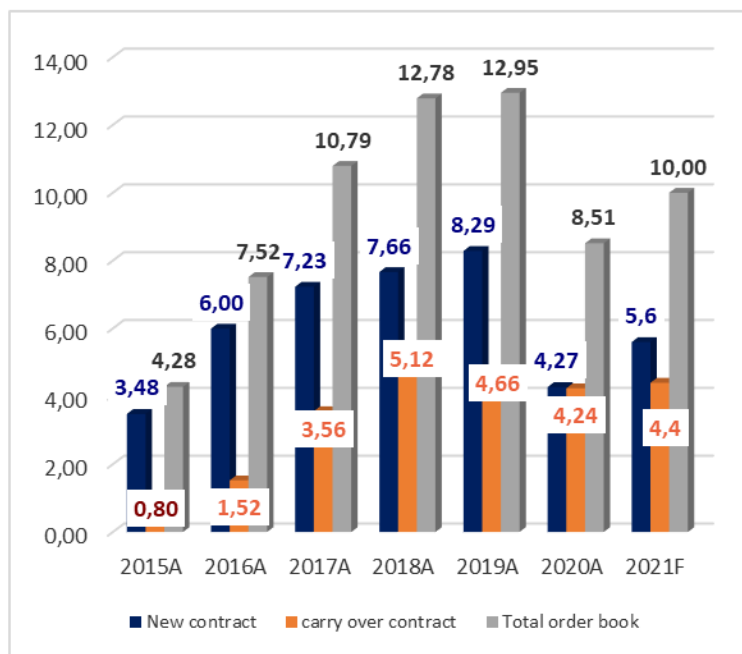


Chart: WTON's company profile based on sectors worked 2020A

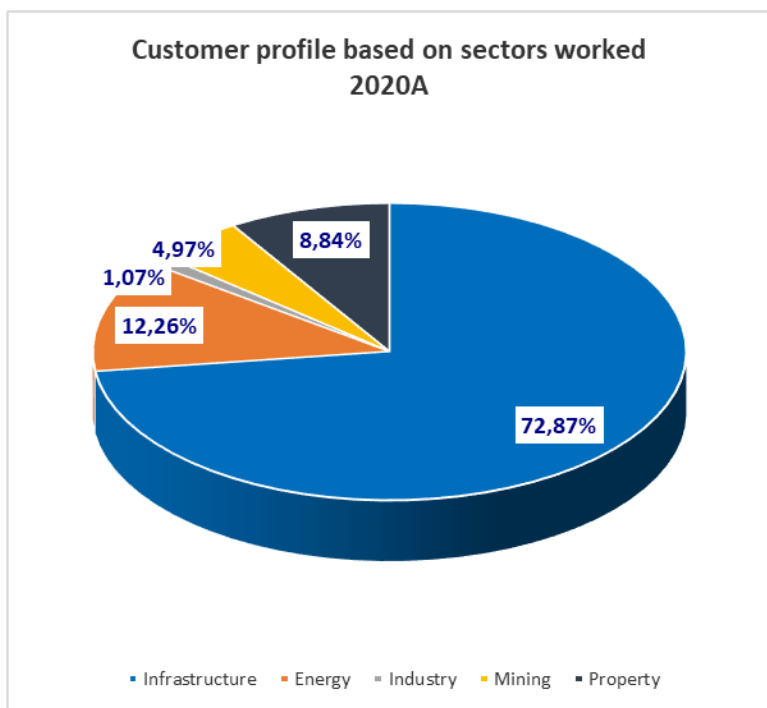
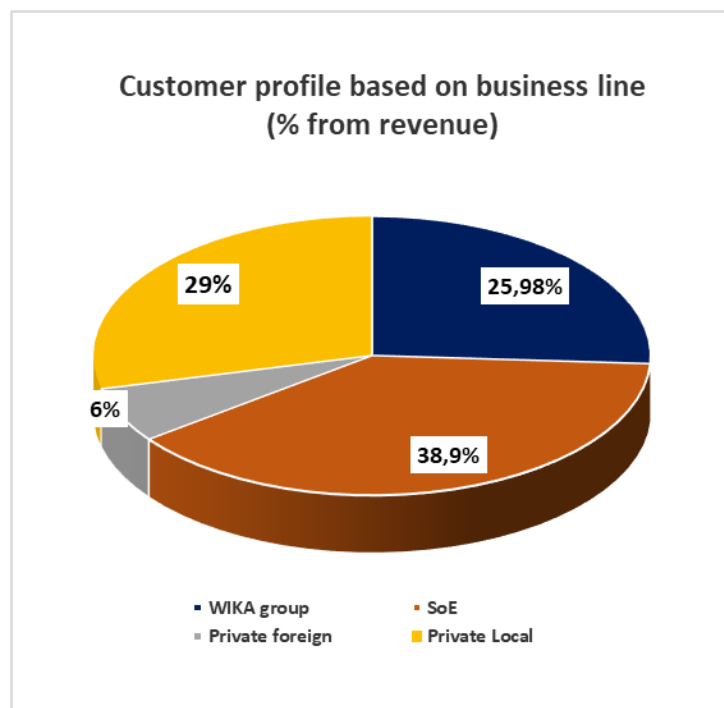


Chart: WTON's company profile based on business line ( % from revenue) 2020A



**Profit and Loss (IDR.bn) yoy**

<b>Profit and Loss (IDR.bn)</b>	<b>2017A</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021F</b>	<b>2022F</b>
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**Balance sheet (IDR.bn) yoy**

<b>Balance sheet (IDR.in bn)</b>	<b>2017A</b>	<b>2018A</b>	<b>2019A</b>	<b>2020A</b>	<b>2021F</b>	<b>2022F</b>
<b>Cash and cash equivalent</b>	637,76	865,02	1.602,28	1.542,22	1.725,30	1.708,23
Trade Account Receivable	1.219,48	1.213,12	1.309,53	632,74	904,11	1.090,36
inventory	1.034,18	1.206,10	1.148,38	793,74	881,51	1.046,74
Other current asset	1.459,97	2.586,47	3.108,72	2.279,51	2.475,00	2.653,20
<b>Total current Asset</b>	<b>4.351,38</b>	<b>5.870,71</b>	<b>7.168,91</b>	<b>5.248,21</b>	<b>5.985,91</b>	<b>6.498,52</b>
Net Fixed Asset	2.679,46	2.947,96	3.012,08	2.952,49	3.135,18	3.267,71
other long term asset	37,14	63,10	156,91	308,32	110,00	132,66
<b>Total non current Asset</b>	<b>2.716,60</b>	<b>3.011,06</b>	<b>3.168,98</b>	<b>3.260,81</b>	<b>3.245,18</b>	<b>3.400,37</b>
<b>Total Asset</b>	<b>7.067,98</b>	<b>8.881,78</b>	<b>10.337,90</b>	<b>8.509,02</b>	<b>9.231,10</b>	<b>9.898,89</b>
Trade account payable	1.223,39	1.146,17	898,55	718,17	828,77	1.054,01
Short Term bank loans	1.245,42	1.455,22	2.035,68	2.363,38	2.599,72	2.729,71
Advances from customer	304,37	555,71	413,50	181,62	220,00	265,32
Other Current liabilities	1.443,14	2.090,98	2.847,32	1.443,44	1.650,00	1.724,58
<b>Total current liabilities</b>	<b>4.216,31</b>	<b>5.248,09</b>	<b>6.195,05</b>	<b>4.706,62</b>	<b>5.298,49</b>	<b>5.773,62</b>
Long term loans bank	0,00	350,00	500,00	380,00	500,00	600,00
MTN	0,00	0,00	0,00	0,00	0,00	0,00
finance lease liabilities	0,00	39,75	34,21	0,71	0,71	0,71
Other Long term liabilities	103,73	107,12	100,18	31,11	85,01	102,52
<b>Total non current liabilities</b>	<b>103,73</b>	<b>496,88</b>	<b>634,39</b>	<b>411,82</b>	<b>585,72</b>	<b>703,24</b>
<b>Total Liabilities</b>	<b>4.320,04</b>	<b>5.744,97</b>	<b>6.829,45</b>	<b>5.118,44</b>	<b>5.884,21</b>	<b>6.476,85</b>
<b>Total Equities</b>	<b>2.747,94</b>	<b>3.136,81</b>	<b>3.508,45</b>	<b>3.390,57</b>	<b>3.346,88</b>	<b>3.422,04</b>
<b>Total Liabilities and equity</b>	<b>7.067,98</b>	<b>8.881,78</b>	<b>10.337,90</b>	<b>8.509,02</b>	<b>9.231,10</b>	<b>9.898,89</b>

## Cash flow (IDR.bn)

Cash Flow (IDR. bn)	2017A	2018A	2019A	2020A	2021F	2022F
+ Net Income	337	486	512	128	216	326
+Depreciation	177	224	249	218	248	263
- Change in WC	737	-260	386	372	37	-55
<b>Cash From Operating Activities</b>	<b>1.251</b>	<b>450</b>	<b>1.147</b>	<b>719</b>	<b>501</b>	<b>535</b>
capex	-637	-492	-313	-159	-431	-396
Other non current asset	-34	-26	-94	-151	198	-23
<b>cash from investing activities</b>	<b>-671</b>	<b>-518</b>	<b>-407</b>	<b>-310</b>	<b>-232</b>	<b>-419</b>
Long term loans	-200	350	150	-120	120	100
finance lease liabilities	0	40	-6	-33	0	0
Other Long term liabilities	-4	3	-7	-69	54	18
Equity	-80	-97	-141	-246	-259	-251
<b>cash from financing activities</b>	<b>-284</b>	<b>296</b>	<b>-3</b>	<b>-468</b>	<b>-85</b>	<b>-133</b>
Net Changes in Cash	296	227	737	-60	183	-17
<b>Beginning Balance</b>	<b>342</b>	<b>638</b>	<b>865</b>	<b>1.602</b>	<b>1.542</b>	<b>1.725</b>
<b>Ending balance</b>	<b>638</b>	<b>865</b>	<b>1.602</b>	<b>1.542</b>	<b>1.725</b>	<b>1.708</b>

## Ratio Highlights

Ratio Highlights	2017 A	2018 A	2019 A	2020 A	2021 F	2022 F
<b>Growth (% YoY)</b>						
Sales	54,01%	29,25%	2,20%	-32,19%	14,50%	20,60%
OP	29,91%	38,12%	8,58%	-76,82%	138,62%	20,60%
EBITDA	31,66%	42,50%	4,30%	-56,74%	55,17%	24,07%
NP	23,75%	44,27%	5,34%	-75,01%	68,33%	51,27%
EPS	23,75%	44,27%	5,34%	-75,01%	68,33%	51,27%
<b>Profitability</b>						
Operating Margin(%)	9,89%	10,57%	11,23%	3,84%	8,00%	8,00%
EBITDA margin(%)	12,71%	14,01%	14,30%	9,12%	12,36%	12,71%
NET Profit margin(%)	6,29%	7,02%	7,23%	2,67%	3,92%	4,92%
ROA(%)	4,77%	5,48%	4,96%	1,50%	2,34%	3,29%
ROE(%)	12,27%	15,50%	14,60%	3,78%	6,44%	9,53%
<b>Liquidity</b>						
Current ratio (X)	1,03	1,12	1,16	1,12	1,13	1,13
cash ratio (x)	0,15	0,16	0,26	0,33	0,33	0,30
<b>Solvability</b>						
Tot debt/ Equity	1,57	1,83	1,95	1,51	1,76	1,89
Debt ratio	0,61	0,65	0,66	0,60	0,64	0,65
<b>Per Share data (Rp)</b>						
EPS	38,68	55,80	58,79	14,69	24,73	37,41
BVS	315,29	359,91	402,55	389,03	384,02	392,64

**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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