



Investment Consideration

Strong order book

In the first six months of 2018, WTON booked new contracts of IDR. 3.13 trillion or 41% of the total order book target for 2018 of 7.56 trillion. New contracts came mainly from outside the WIKA group, while the WIKA group contributed 33%. 30% came from SOEs and 37% from private companies. In terms of specific projects in the six months, large new contracts are from PLTGU Tambak Lorok, Balikpapan - Samarinda toll road package 234, procurement of box girder MBK5, Tangguh expansion project batch 5, Kijing – Mempawah dock 430 billion and Kunciran – Cengkareng toll road 223 billion. In the future, following the historical trend for WTON, new contract volumes will be supported mainly by the infrastructure sector and private-local customers. Based on 2017 results, we are updating our forecast total order book growth to 31% CAGR during 2017F-2018F.

Capacity increase on track

WTON's plan to increase production capacity to 3.6 mn tons in 2018 is on track and as of May capacity has reached 3.4 mn tons compared to 3 mn tons in 2017A. Additional capacity comes from an additional line in South Sulawesi to support the Pettarani toll road project, which is now being developed by WIKA Beton in South Sulawesi. In addition, WTON continues to develop and innovate in precast products in order to be ahead of its peers. WTON is the only company using Inner Bore Technology in Indonesia, and is the only one developing floating dock precast for ports for this year.

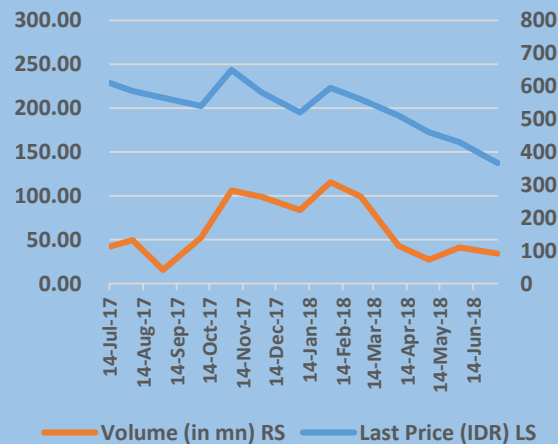
Valuation: 54% upside

With WACC 8.7%. we are targeting a target price within one year of IDR. 605/shares or trading at 12.3x PER, which gives 54% upside compared to the latest closed price. BUY

Profit and Loss						
(IDR.bn)	2015A	2016A	2017A	2018F	2019F	
Revenue	2,653	3,482	5,362	6,454	7,079	
Cost of revenues	(2,324)	(2,977)	(4,696)	(5,615)	(6,158)	
Gross Profit	329	504	667	839	920	
Operating expense	(90)	(96)	(136)	(194)	(212)	
Operating Profit	238	408	530	645	708	
Other income	(32)	(68)	(111)	(129)	(142)	
taxes	(34)	(59)	(79)	(88)	(96)	
Minority interest	2	(9)	(3)	(0)	(0)	
Net Profit	174	272	337	428	470	
EPS	20	31	39	49	54	
EBITDA	322	517	681	852	945	

18 July 2018
Precast, Equity

Price **IDR. 392**
Target Price **IDR. 605**
JKSE Index **5861.51**



Stock Code **WTON IJ**
Bloomberg code **3294.4**
Market cap (IDR.bn) **705**
52-Week High (IDR) **362**
52-Week Low (IDR) **507**
6-m Avg Daily. Val (IDR) **27.80**
Free Float (%) **27.80**

Major Shareholders (%)
WIKA **60.00%**
KKMS **6.88%**
Yayasan Wijaya Karya **0.99**
Public **27.80%**

USD/IDR-YE
2017A **13,480**
2017F (6M Avg) **13,805**

Key Indicators **2019F**
Total Debt/ Equity (x) **1.57**
Current ratio (x) **1.11**

Analyst: Revita Dhiah Anggrainy
revita.anggrainy@binaartha.com

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

Company Structure

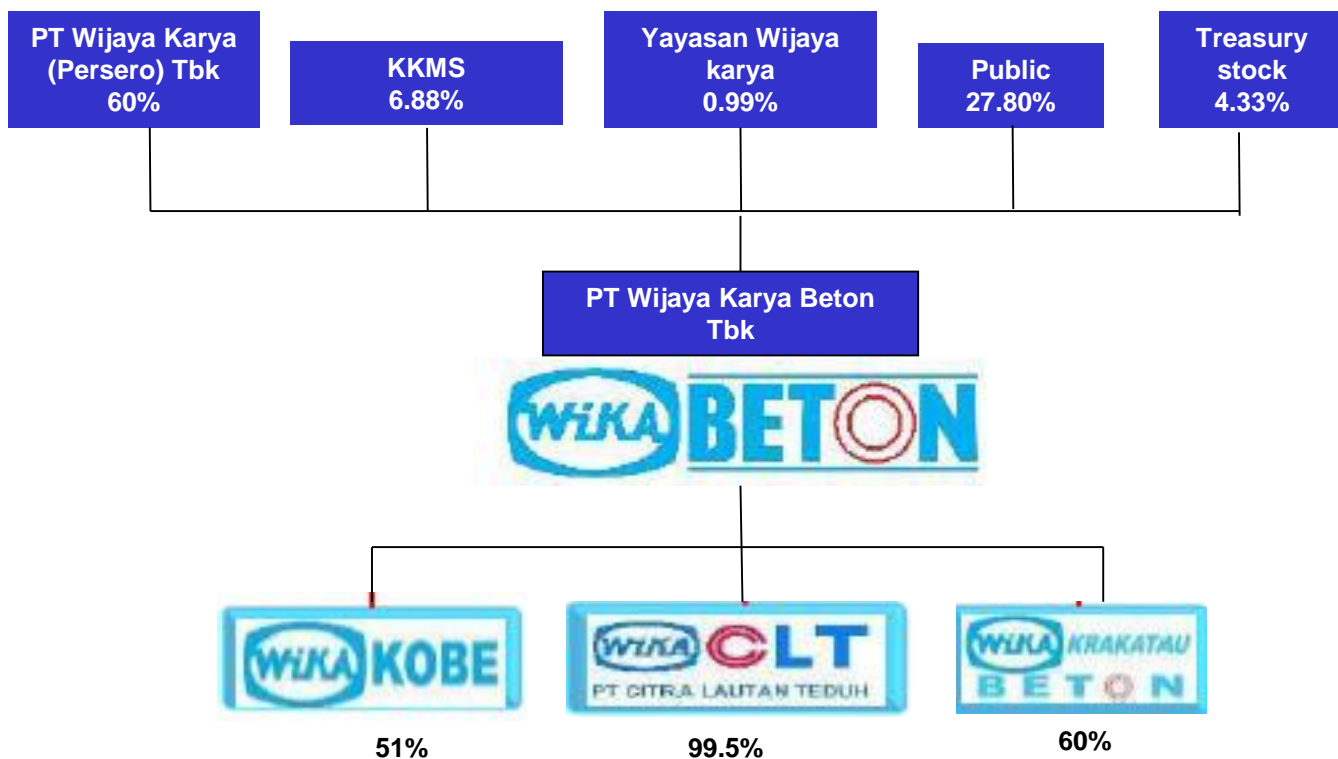


Chart: WTON's production installment capacities yoy

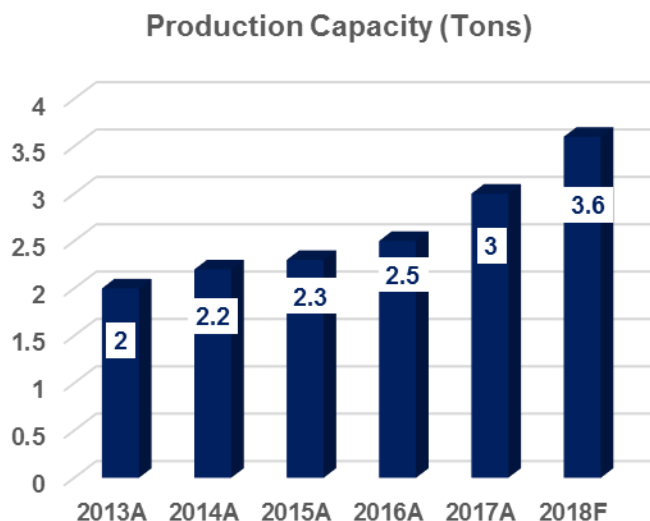


Chart: New contract and carry over contract (in Rp. Trillion) yoy

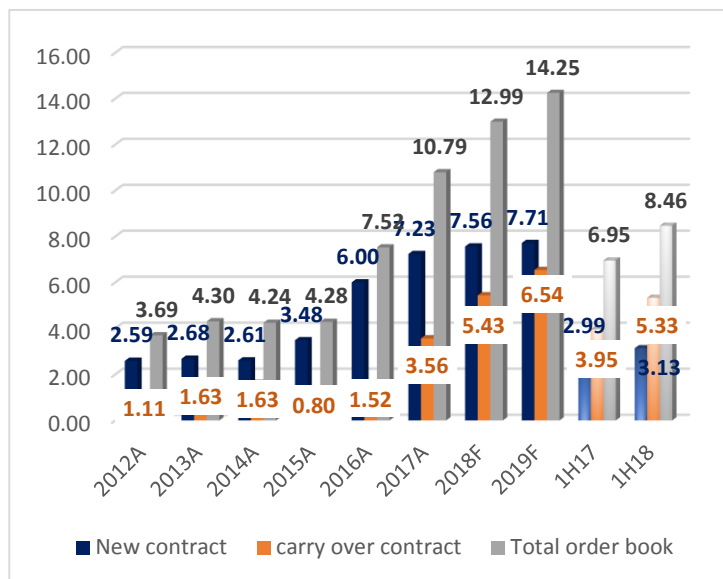


Chart: WTON's company profile based on business line in 6M18

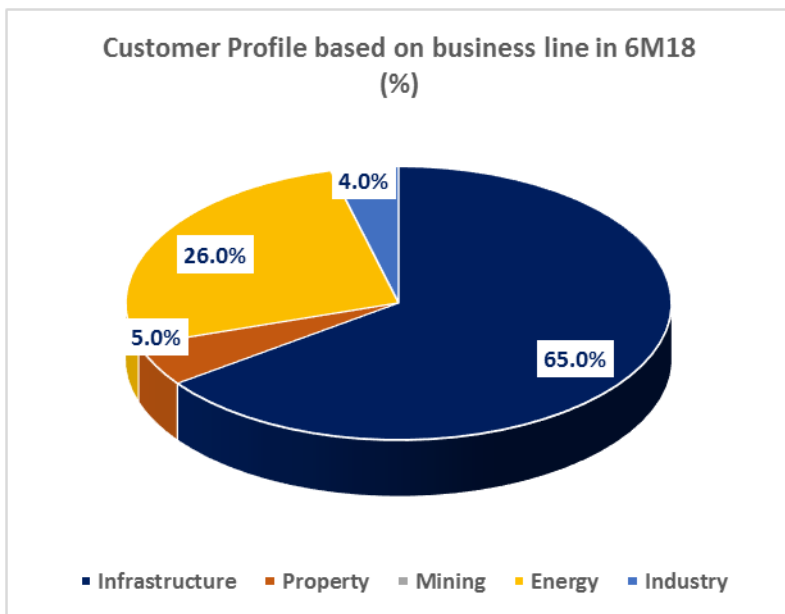
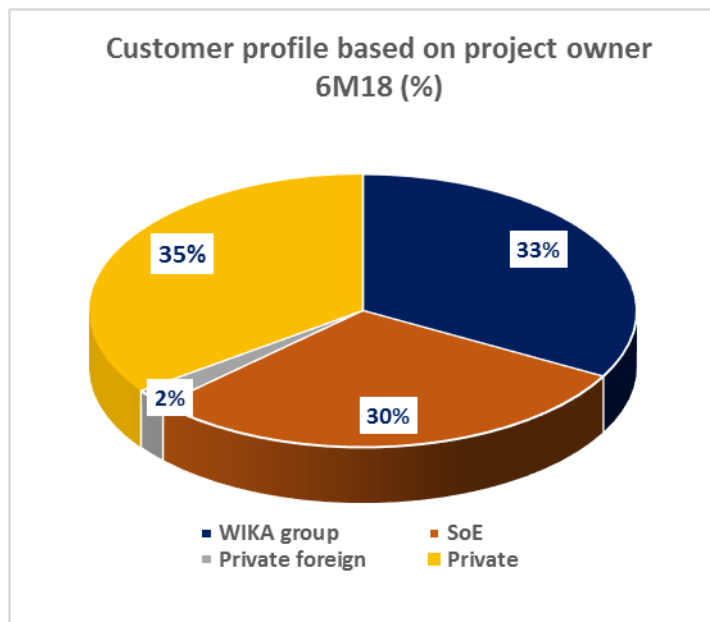


Chart: WTON's company profile based on project owner in 6M18



Profit and Loss (IDR.bn) yoy

Profit and Loss (IDR.bn)	2014A	2015A	2016A	2017A	2018F	2019F
Revenue	3,277	2,653	3,482	5,362	6,454	7,079
Cost of revenues	(2,790)	(2,324)	(2,977)	(4,696)	(5,615)	(6,158)
Gross Profit	487	329	504	667	839	920
Operating expense	(77)	(90)	(96)	(136)	(194)	(212)
Operating Profit	410	238	408	530	645	708
Other income	3	(32)	(68)	(111)	(129)	(142)
taxes	(89)	(34)	(59)	(79)	(88)	(96)
Minority interest	6	2	(9)	(3)	(0)	(0)
Net Profit	330	174	272	337	428	470
EPS	38	20	31	39	49	54
EBITDA	492	322	517	681	852	945

Balance sheet (IDR.bn) yoy

Balance sheet (IDR.in bn)	2014A	2015A	2016A	2017F	2018F	2019F
Cash and cash equivalent	1,038.47	823.63	342.21	637.76	391.90	446.09
Trade Account Receivable	475.69	570.11	653.48	1,219.48	1,742.61	1,911.24
inventory	457.60	694.46	622.48	1,034.18	1,484.45	1,628.09
Other current asset	155.60	366.71	821.76	1,459.97	1,684.53	1,911.24
Total current asset	2,127.36	2,454.91	2,439.94	4,351.38	5,303.49	5,896.65
Net Fixed Asset	1,671.21	1,997.51	2,219.22	2,679.46	3,152.96	3,594.66
other long term asset	4.09	3.67	3.16	37.14	40.02	43.89
Total non current asset	1,675.29	2,001.19	2,222.38	2,716.60	3,192.97	3,638.54
Total Asset	3,802.66	4,456.10	4,662.32	7,067.98	8,496.47	9,535.20
Trade account payable	420.10	557.49	664.14	1,223.39	1,419.91	1,557.30
Short Term bank loans	198.96	131.49	349.74	1,245.42	1,556.77	1,665.75
Advances from customer	65.63	209.00	125.60	304.37	354.98	389.33
Other Current liabilities	825.17	895.49	724.32	1,443.14	1,548.99	1,698.88
Total current liabilities	1,509.86	1,793.46	1,863.79	4,216.31	4,880.65	5,311.25
Long term loans	0.00	320.00	200.00	0.00	300.00	300.00
finance lease liabilities	1.17	0.00	0.00	0.00	0.00	0.00
Other Long term liabilities	89.03	79.21	108.05	103.73	129.08	212.36
Total non current liabilities	90.21	399.21	308.05	103.73	429.08	512.36
Total Liabilities	1,600.07	2,192.67	2,171.84	4,320.04	5,309.73	5,823.61
Total Equities	2,202.59	2,263.43	2,490.47	2,747.94	3,186.74	3,711.58
Total Liabilities and equity	3,802.66	4,456.10	4,662.32	7,067.98	8,496.47	9,535.20

Cash flow (IDR.bn)

Cash Flow (IDR. bn)	2014A	2015A	2016A	2017A	2018F	2019F
Net Income	330	174	272	337	428	470
Depreciation	85	90	137	177	207	243
Change in WC	110	(259)	(396)	737	(534)	(108)
Cash From Operating Activities	524	5	13	1,251	102	604
capex	(744)	(416)	(359)	(637)	(681)	(684)
Other non current asset	5	0	1	(34)	(3)	(4)
cash from investing activities	(739)	(416)	(358)	(671)	(684)	(688)
Long term loans	(369)	319	(120)	(200)	300	0
finance lease liabilities	1	(10)	29	(4)	25	83
Other Long term liabilities	45.63	309.00	(91.16)	(204)	325	83
Equity	1,162.21	479.56	(66.20)	(79.66)	10.55	55.22
cash from financing activities	840.45	1,097.56	-248.52	(488)	661	222
Net Changes in Cash	625	(215)	(481)	296	(246)	54
Beginning Balance	413	1,038	824	342	638	392
Ending balance	1,038	824	342	638	392	446

Ratio Highlights

Ratio Highlights	2014 A	2015 A	2016 A	2017 A	2018 F	2019 F
Growth (% YoY)						
Sales	23.96%	-19.06%	31.26%	54.01%	20.36%	9.68%
OP	22.01%	-41.87%	71.23%	29.91%	21.69%	9.68%
EBITDA	25.09%	-34.52%	60.75%	31.66%	25.05%	10.91%
NP	35.80%	-47.28%	56.68%	23.75%	27.03%	9.66%
EPS	3.93%	-47.28%	56.68%	23.75%	27.03%	9.66%
Profitability						
Operating Margin(%)	12.5%	9.0%	11.7%	9.9%	10.0%	10.0%
EBITDA margin(%)	15.0%	12.1%	14.9%	12.7%	13.2%	13.3%
NET Profit margin(%)	10.1%	6.6%	7.8%	6.3%	6.6%	6.6%
ROA(%)	8.7%	3.9%	5.8%	4.8%	5.0%	4.9%
ROE(%)	15.0%	7.7%	10.9%	12.3%	13.4%	12.7%
Liquidity						
Current ratio (X)	1.41	1.37	1.31	1.03	1.09	1.11
cash ratio (x)	0.69	0.46	0.18	0.15	0.08	0.08
Solvability						
Tot debt/ Equity	0.73	0.97	0.87	1.57	1.67	1.57
Debt ratio	0.42	0.49	0.47	0.61	0.62	0.61
Per Share data (Rp)						
EPS	37.84	19.95	31.26	38.68	49.14	53.88
BVS	252.72	259.70	285.75	315.29	365.64	425.86

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.

**RESEARCH TEAM
(62-21) 520-6678 ext.612**

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