

### Investment Consideration

#### Revised contracts attainable

WTON is revising down their ew contracts target from previously IDR 11.5 tn in 2020 because of the impact of the Covid-19 outbreak. As of 1Q20, IDR. 865 billion new contracts were booked which is down 41% yoy and 8% of the initial target. The new contracts are still dominated by infrastructure projects at 62.39% of the total. Based on customer profile (% of revenue), most new contracts are from parent WIKA Group and SOEs at 24.9% and 32.2% respectively. In order to mitigate the impact of the covid 19 outbreak, WTON is running strategic action plans, one of which is to maximize sales from carry over contracts (of IDR 5 trillion) including from WIKA Group. WIKA Group will help by accelerating payments from the HSR project, as well as Harbour (Ancol-Pluit), and Semarang-Demak toll roads, in 3Q20. This will result in an increase in utilization of WTON's plants in Subang and Karawang which has been low at 40% up to May 2020. We have revised our new contract estimation target using a worse case scenario to IDR. 6,6 trillion or down -20% yoy. Going forward, with the strategic plans implemented, we believe WTON will be able to achieve our revised target despite the current slowdown.

#### Margins to improve

In order to improve margins amid the current market situation, WTON is also doing a cost reduction program at both COGS and overhead costs levels. This plan started earlier this year with the Supply Chain management (SCM) being integrating into WTON to improve speed, reduce cost and improve margins. WTON is starting this project in the Pasuruan Plant and then throughout all sales areas and plants in 2H2020, to be completed in 2021. We estimate the average EBITDA margin in 2020-2021F will improve to 14.8% compared to 14,3% In 2019A.

#### Valuation: 33% upside

Based on our adjustments, we are targeting IDR. 400/share, which is 7,2x PER and below our prior projection. Still, with 33% upside expected we maintain BUY.

Profit and Loss					
(IDR.bn)	2017A	2018A	2019A	2020F	2021F
<b>Revenue</b>	<b>5.362</b>	<b>6.931</b>	<b>7.083</b>	<b>6.872</b>	<b>7.833</b>
Cost of revenues	(4.696)	(6.048)	(6.133)	(5.938)	(6.815)
<b>Gross Profit</b>	<b>667</b>	<b>882</b>	<b>951</b>	<b>935</b>	<b>1.018</b>
Operating expense	(136)	(150)	(155)	(137)	(157)
<b>Operating Profit</b>	<b>530</b>	<b>733</b>	<b>795</b>	<b>797</b>	<b>862</b>
Other income	(111)	(75)	(169)	(188)	(232)
<b>Pretax income(PBT)</b>					
taxes	(79)	(170)	(116)	(110)	(113)
Minority interest	(3)	(0)	2	5	0
<b>Net Profit</b>	<b>337</b>	<b>486</b>	<b>512</b>	<b>505</b>	<b>517</b>
EPS	39	56	59	58	59
<b>EBITDA</b>	<b>681</b>	<b>971</b>	<b>1.013</b>	<b>1.046</b>	<b>1.158</b>

18 June 2020  
Precast, Equity

Price **IDR. 302**  
Target Price **IDR. 400**  
JKSE Index **4987.78**



**Stock Code**  
**Bloomberg code** **WTON IJ**  
**Market cap (IDR.bn)** **2475.2**  
**52-Week High (IDR)** **630**  
**52-Week Low (IDR)** **184**  
**6-m Avg Daily. Val (IDR)** **284**  
**Free Float (%)** **28.67**

**Major Shareholders (%)**  
**WIKA** **60.00%**  
**KKMS** **5.97%**  
**Yayasan Wijaya Karya** **0.99%**  
**Public** **28.67%**

**USD/IDR-YE**  
**2019A** **13866**  
**2020F (Avg)** **14090**

**Key Indicators** **2020F**  
**Total Debt/ Equity (x)** **1.96**  
**Current ratio (x)** **1.11**

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

Chart: WTON's production installment capacities yoy

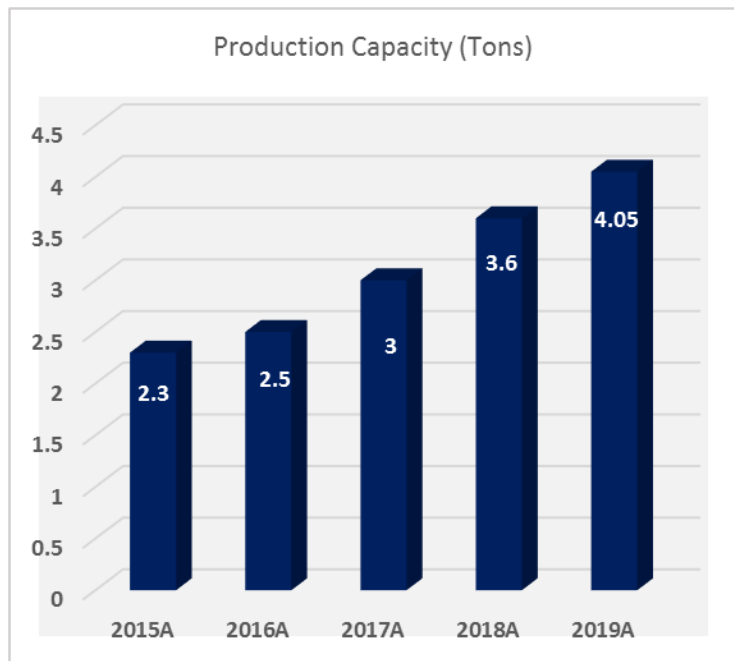


Chart: New contract and carry over contract yoy (in IDR. Trillion)

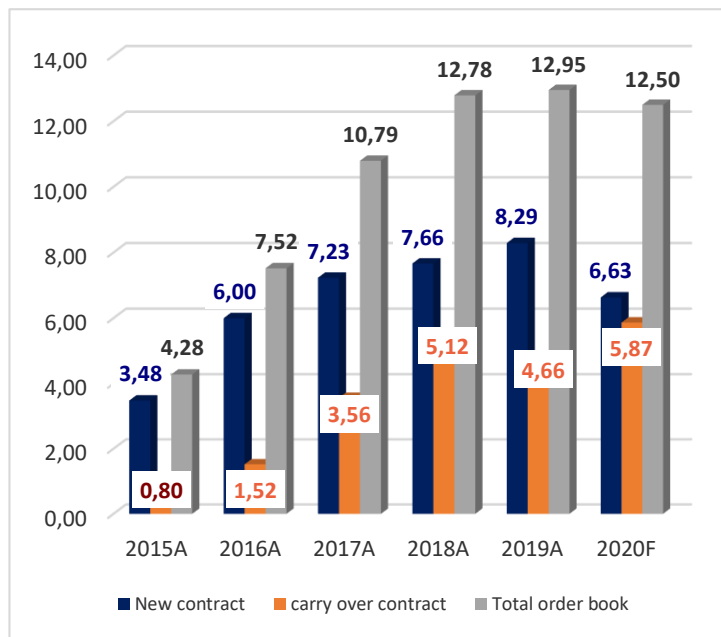


Chart: WTON's company profile based on business line (% from new contract) up to 1Q20

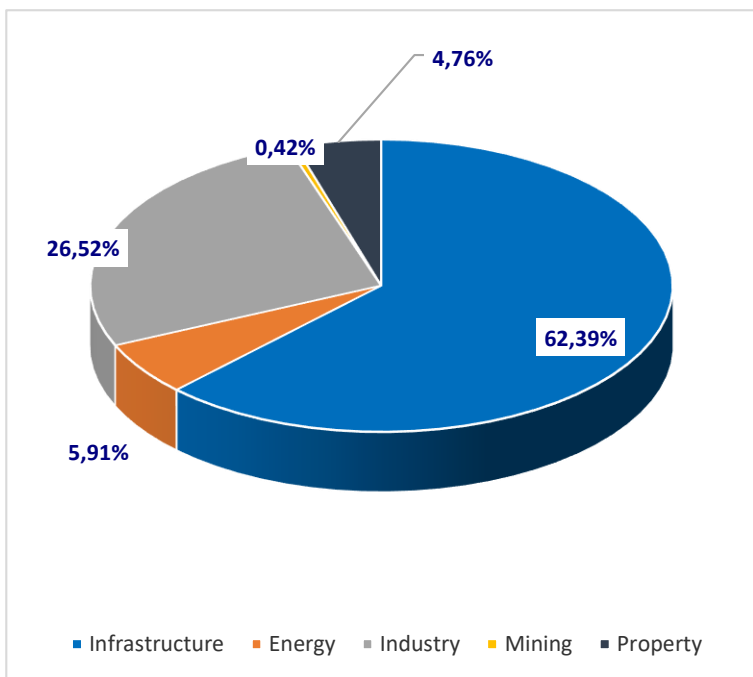
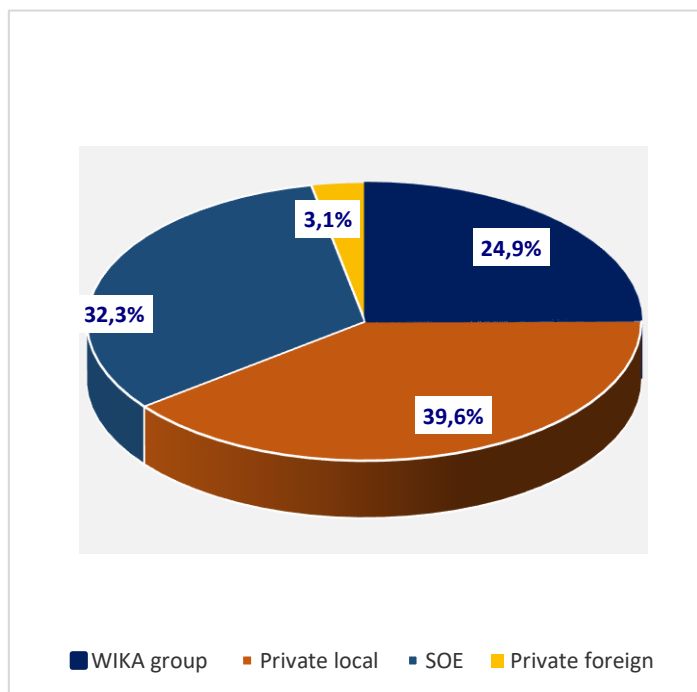


Chart: WTON's company profile based on business line (% from revenue) Up to 1Q20



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

<b>Profit and Loss (IDR.bn)</b>	<b>2017A</b>	<b>2018A</b>	<b>2019A</b>	<b>2020F</b>	<b>2021F</b>
<b>Revenue</b>	<b>5.362</b>	<b>6.931</b>	<b>7.083</b>	<b>6.872</b>	<b>7.833</b>
Cost of revenues	(4.696)	(6.048)	(6.133)	(5.938)	(6.815)
<b>Gross Profit</b>	<b>667</b>	<b>882</b>	<b>951</b>	<b>935</b>	<b>1.018</b>
Operating expense	(136)	(150)	(155)	(137)	(157)
<b>Operating Profit</b>	<b>530</b>	<b>733</b>	<b>795</b>	<b>797</b>	<b>862</b>
Other income	(111)	(75)	(169)	(188)	(232)
<b>Pretax income(PBT)</b>					
taxes	(79)	(170)	(116)	(110)	(113)
Minority interest	(3)	(0)	2	5	0
<b>Net Profit</b>	<b>337</b>	<b>486</b>	<b>512</b>	<b>505</b>	<b>517</b>
EPS	39	56	59	58	59
<b>EBITDA</b>	<b>681</b>	<b>971</b>	<b>1.013</b>	<b>1.046</b>	<b>1.158</b>

**Balance sheet (IDR.bn) yoy**

<b>Balance sheet (IDR.in bn)</b>	<b>2017A</b>	<b>2018A</b>	<b>2019A</b>	<b>2020F</b>	<b>2021F</b>
<b>Cash and cash equivalent</b>	637,76	865,02	1.602,28	1.695,61	1.407,91
Trade Account Receivable	1.219,48	1.213,12	1.309,53	1.129,72	1.437,84
inventory	1.034,18	1.206,10	1.148,38	1.138,76	1.306,93
Other current asset	1.459,97	2.586,47	3.108,72	3.504,95	3.838,16
<b>Total current Asset</b>	<b>4.351,38</b>	<b>5.870,71</b>	<b>7.168,91</b>	<b>7.469,04</b>	<b>7.990,84</b>
Net Fixed Asset	2.679,46	2.947,96	3.012,08	3.475,08	4.146,33
other long term asset	37,14	63,10	156,91	164,94	187,99
<b>Total non current Asset</b>	<b>2.716,60</b>	<b>3.011,06</b>	<b>3.168,98</b>	<b>3.640,01</b>	<b>4.334,32</b>
<b>Total Asset</b>	<b>7.067,98</b>	<b>8.881,78</b>	<b>10.337,90</b>	<b>11.109,06</b>	<b>12.325,16</b>
Trade account payable	1.223,39	1.146,17	898,55	922,60	1.073,01
Short Term bank loans	1.245,42	1.455,22	2.035,68	2.849,96	3.419,95
Advances from customer	304,37	555,71	413,50	549,80	626,64
Other Current liabilities	1.443,14	2.090,98	2.847,32	2.405,36	2.349,90
<b>Total current liabilities</b>	<b>4.216,31</b>	<b>5.248,09</b>	<b>6.195,05</b>	<b>6.727,72</b>	<b>7.469,50</b>
Long term loans bank	0,00	350,00	500,00	500,00	800,00
MTN	0,00	0,00	0,00	0,00	0,00
finance lease liabilities	0,00	39,75	34,21	23,29	23,29
Other Long term liabilities	103,73	107,12	100,18	106,23	121,07
<b>Total non current liabilities</b>	<b>103,73</b>	<b>496,88</b>	<b>634,39</b>	<b>629,51</b>	<b>944,36</b>
<b>Total Liabilities</b>	<b>4.320,04</b>	<b>5.744,97</b>	<b>6.829,45</b>	<b>7.357,23</b>	<b>8.413,86</b>
<b>Total Equities</b>	<b>2.747,94</b>	<b>3.136,81</b>	<b>3.508,45</b>	<b>3.751,82</b>	<b>3.911,31</b>
<b>Total Liabilities and equity</b>	<b>7.067,98</b>	<b>8.881,78</b>	<b>10.337,90</b>	<b>11.109,06</b>	<b>12.325,16</b>

**Cash flow (IDR.bn)**

Cash Flow (IDR. bn)	2017A	2018A	2019A	2020F	2021F
+ Net Income	337	486	512	505	517
+Depreciation	177	224	249	253	292
- Change in WC	737	-260	386	326	-68
<b>Cash From Operating Activities</b>	<b>1.251</b>	<b>450</b>	<b>1.147</b>	<b>1.084</b>	<b>741</b>
capex	-637	-492	-313	-716	-963
Other non current asset	-34	-26	-94	-8	-23
<b>cash from investing activities</b>	<b>-671</b>	<b>-518</b>	<b>-407</b>	<b>-724</b>	<b>-986</b>
Long term loans	-200	350	150	0	300
finance lease liabilities	0	40	-6	-11	0
Other Long term liabilities	-4	3	-7	6	15
Equity	-80	-97	-141	-261	-357
<b>cash from financing activities</b>	<b>-284</b>	<b>296</b>	<b>-3</b>	<b>-266</b>	<b>-42</b>
Net Changes in Cash	296	227	737	93	-288
<b>Beginning Balance</b>	<b>342</b>	<b>638</b>	<b>865</b>	<b>1.602</b>	<b>1.696</b>
<b>Ending balance</b>	<b>638</b>	<b>865</b>	<b>1.602</b>	<b>1.696</b>	<b>1.408</b>

**Ratio Highlights**

Ratio Highlights	2017 A	2018 A	2019 A	2020 F	2021 F
<b>Growth (% YoY)</b>					
Sales	54,01%	29,25%	2,20%	-2,98%	13,98%
OP	29,91%	38,12%	8,58%	0,23%	8,08%
EBITDA	31,66%	42,50%	4,30%	3,34%	10,63%
NP	23,75%	44,27%	5,34%	-1,47%	2,34%
EPS	23,75%	44,27%	5,34%	-1,47%	2,34%
<b>Profitability</b>					
Operating Margin(%)	9,89%	10,57%	11,23%	11,60%	11,00%
EBITDA margin(%)	12,71%	14,01%	14,30%	15,23%	14,78%
NET Profit margin(%)	6,29%	7,02%	7,23%	7,35%	6,60%
ROA(%)	4,77%	5,48%	4,96%	4,54%	4,19%
ROE(%)	12,27%	15,50%	14,60%	13,45%	13,21%
<b>Liquidity</b>					
Current ratio (X)	1,03	1,12	1,16	1,11	1,07
cash ratio (x)	0,15	0,16	0,26	0,25	0,19
<b>Solvability</b>					
Tot debt/ Equity	1,57	1,83	1,95	1,96	2,15
Debt ratio	0,61	0,65	0,66	0,66	0,68
<b>Per Share data (Rp)</b>					
EPS	38,68	55,80	58,79	57,92	59,28
BVS	315,29	359,91	402,55	430,48	448,78

**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**

*Disclaimer; PT Binaartha Sekuritas has compiled this report in good faith, using information believed to be reliable. PT Binaartha and its analyst take no responsibility for the accuracy of the information contained in this report. This report has been produced for distribution to clients of PT Binaartha Sekuritas only. This report is not an invitation to buy or sell any security. PT Binaartha Sekuritas may have used the information in this report prior to publication. The company or its clients may have positions in or may from time to time buy or sell the securities mentioned in this report or other related securities.*