

Investment Consideration

Contracts on track

WTON is on track to achieve new contracts of IDR 9 tn in 2019, up 18% compared to last year and matching the prediction from our previous report. Due to the general elections, WTON's new contracts in 3Q19 fell 11% YoY to IDR 4.798 but increased 77% QoQ. As we expected, the 2H19 will be better than 1H19. In 4Q19, WTON will receive more projects from parent WIKA Group. For FY2019, WTON has targeted that contracts from WIKA will make 40% of the total, up from 23% in 9M19 as part of a group synergy program. This will be reflected in 2020 revenue. As of 9M19, the top 3 customers of WTON are WIKA Group 23.2%, PT Bosowa marga Nusantara 15%, and PLN 12.1%. Out of IDR 4.8 tn new contracts, the top 10 projects are worth IDR 1.5 tn, of which the largest is in the Pekanbaru-Padang toll road worth IDR 691 bn, while the other smaller projects can still contribute significantly to WTON's profit. We believe WTON will be able to achieve their full year target despite the slowdown in 1H19 as evidenced by the fast rising yoy growth trends.

Capacity upgrade

Precast capacity is targeted to increase from 3.6mn to 4mn tons mostly in the existing plant. In addition, WTON will have a new plant in Pekanbaru and 2 new mobile plants in Pekanbaru and Medan that will supply mostly ready mix to support the Pekanbaru-Padang toll road projects. Beside supplying precast to the Pekanbaru toll road project, the Pekanbaru plant will also support the precast market in Central Sumatera.

Raw material business

WTON's sales are still mainly on the production side, but another of WTON's business lines, raw materials, will be targeted for growth in the future. WTON will have two new quarries in Cimalaka and in Cibeber, West Java. The sand will be used to supply the HSR project. These new quarries are a part of WTON's strategy to provide raw materials for the new projects particularly from WIKA.

New precast houses

On the engineering side, WTON has some new innovative precast concrete products as a result of its own R&D. One of the results is a product called RWB01, a one-floor precast type 36 frame structure house which will only take 1 week and 6 workers to construct. This RWB01 model will be used in a project in Villa Kebun Raya Estate, Bogor.

Valuation: 55% upside

At WACC of 8.9%, we maintain our one-year target price of IDR 700/share, which indicates 12.5x PER. A 55% upside is expected. Maintain BUY.

Profit and Loss

	(IDR.bn)	2016A	2017A	2018A	2019F	2020F	2021F
Revenue		3,482	5,362	6,931	7,411	9,152	11,111
Cost of revenues		(2,977)	(4,696)	(6,048)	(6,447)	(7,962)	(9,667)
Gross Profit		504	667	882	963	1,190	1,444
Operating expense		(96)	(136)	(150)	(148)	(275)	(333)
Operating Profit		408	530	733	815	915	1,111
Net Profit		272	337	486	553	607	737
EPS		31	39	56	63	70	85
EBITDA		517	681	971	1,035	1,173	1,438

4 December 2019
Precast, Equity

Price **IDR. 452**
Target Price **IDR. 700**
JKSE Index **6133.90**



Stock Code WTON IJ
Bloomberg code 3834.8
Market cap (IDR.bn) 680
52-Week High (IDR) 364
52-Week Low (IDR) 508
6-m Avg Daily. Val (IDR) 28.47
Free Float (%)

Major Shareholders (%)
WIKA **60.00%**
KKMS **6.06%**
Yayasan Wijaya Karya **0.99%**
Treasury stock **4.33%**
Public **28.62%**

USD/IDR-YE
2018A **14390**
2018F (6M Avg) **14120**

Key Indicators **2020F**
Total Debt/ Equity (x) **1.79**
Current ratio (x) **1.14**

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Chart: WTON's production installment capacities yoy

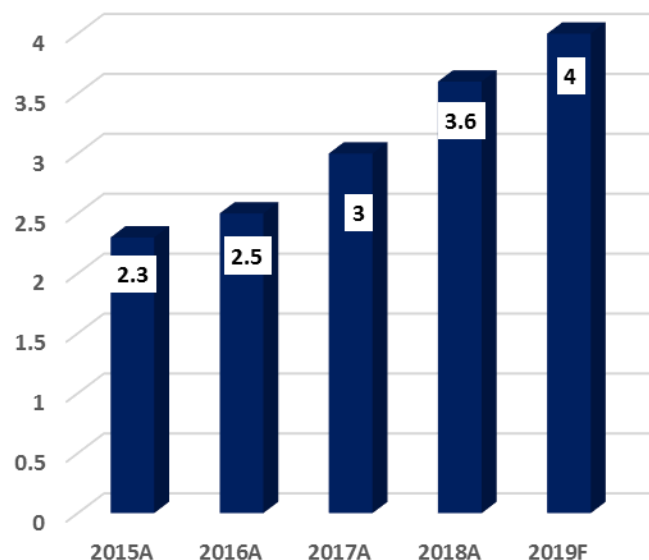


Chart: New contract and carry over contract yoy (in IDR. Trillion)

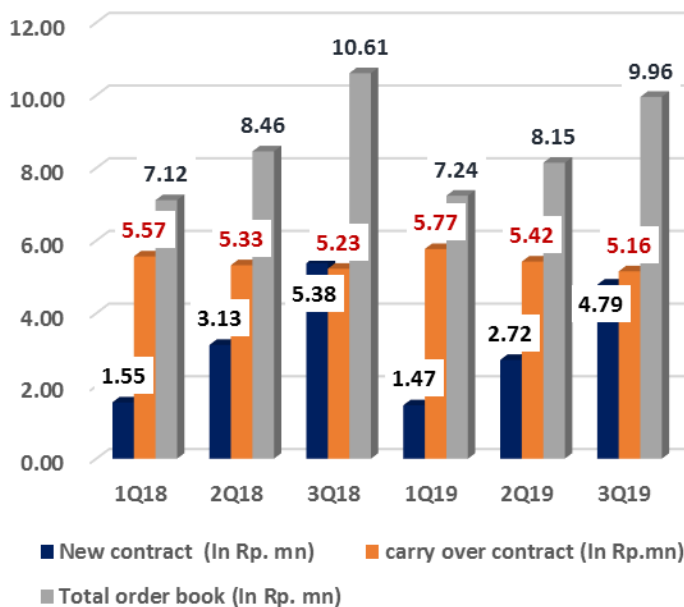


Chart: WTON's company profile based on business line (% from revenue)

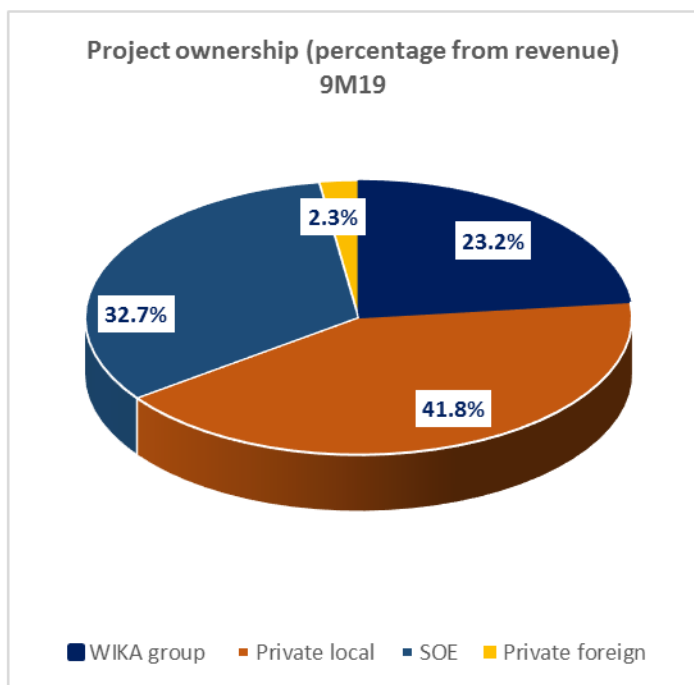
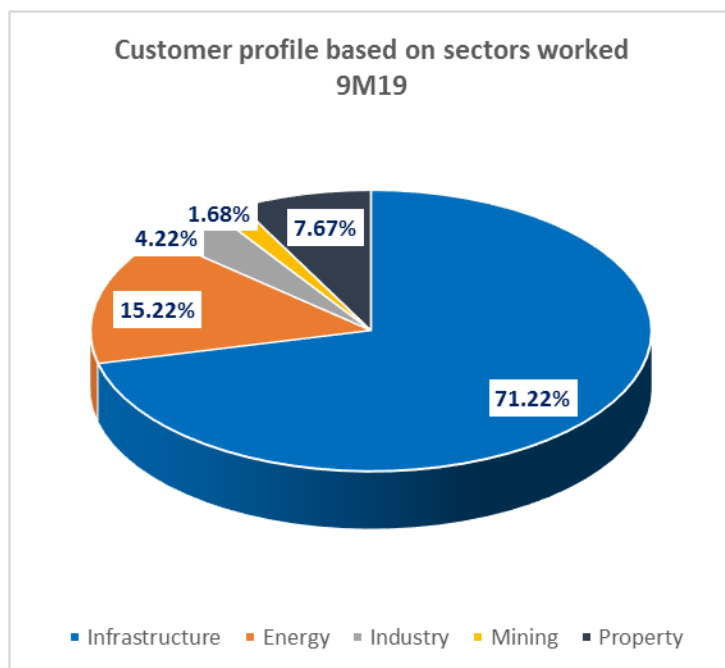


Chart: WTON's company profile based on business line (% from New Contract)



Profit and Loss (IDR.bn) yoy

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Operating expense	(96)	(136)	(150)	(148)	(275)	(333)
Operating Profit	408	530	733	815	915	1,111
Other income	(68)	(111)	(75)	(148)	(183)	(222)
Pretax income(PBT)						
taxes	(59)	(79)	(170)	(113)	(124)	(151)
Minority interest	(9)	(3)	(0)	(0)	(1)	(1)
Net Profit	272	337	486	553	607	737
EPS	31	39	56	63	70	85
EBITDA	517	681	971	1,035	1,173	1,438

Balance sheet (IDR.bn) yoy

Balance sheet (IDR.in bn)	2016A	2017A	2018A	2019F	2020F	2021F
Cash and cash equivalent	342.21	637.76	861.62	1,121.57	1,605.97	1,780.69
Trade Account Receivable	653.48	1,219.48	1,213.12	1,299.40	1,604.65	1,826.50
inventory	622.48	1,034.18	1,206.10	1,236.46	1,745.06	2,118.74
Other current asset	821.76	1,459.97	2,586.47	3,334.78	3,660.60	4,444.48
Total current Asset	2,439.94	4,351.38	5,867.32	6,992.21	8,616.27	10,170.40
Net Fixed Asset	2,219.22	2,679.46	2,947.96	3,048.69	3,688.91	4,463.58
other long term asset	3.16	37.14	63.10	148.21	183.03	222.22
Total non current Asset	2,222.38	2,716.60	3,011.06	3,196.90	3,871.94	4,685.81
Total Asset	4,662.32	7,067.98	8,878.38	10,189.11	12,488.22	14,856.21
Trade account payable	664.14	1,223.39	1,146.17	994.85	1,253.63	1,491.64
Short Term bank loans	349.74	1,245.42	1,455.22	2,000.71	2,801.00	3,641.30
Advances from customer	125.60	304.37	555.71	592.85	732.12	888.90
Other Current liabilities	724.32	1,443.14	2,090.98	2,593.72	2,745.45	2,777.80
Total current liabilities	1,863.79	4,216.31	5,248.09	6,182.13	7,532.21	8,799.64
Long term loans bank	200.00	0.00	350.00	0.00	300.00	600.00
MTN	0.00	0.00	0.00	0.00	0.00	0.00
finance lease liabilities	0.00	0.00	39.75	58.73	39.75	39.75
Other Long term liabilities	108.05	103.73	103.73	110.91	136.96	166.29
Total non current liabilities	308.05	103.73	493.48	169.64	476.72	806.05
Total Liabilities	2,171.84	4,320.04	5,741.57	6,351.77	8,008.93	9,605.69
Total Equities	2,490.47	2,747.94	3,136.81	3,837.34	4,479.29	5,250.52
Total Liabilities and equity	4,662.32	7,067.98	8,878.38	10,189.11	12,488.22	14,856.21

Cash flow (IDR.bn)

Cash Flow (IDR. bn)	2016A	2017A	2018A	2019F	2020F	2021F
Net Income	272	337	486	553	607	737
Depreciation	137	177	224	248	256	310
Change in WC	(396)	737	(260)	69	210	(112)
Cash From Operating Activities	13	1,251	450	870	1,074	935
capex	(359)	(637)	(492)	(348)	(896)	(1,085)
Other non current asset	1	(34)	(26)	(85)	(35)	(39)
cash from investing activities	(358)	(671)	(518)	(433)	(931)	(1,124)
Long term loans	(120)	(200)	350	(350)	300	300
finance lease liabilities	0	0	40	19	(19)	0
Other Long term liabilities	28.84	(4.32)	0.00	7.18	26.05	29.33
Equity	(45.38)	(79.66)	(97.48)	147.42	34.80	34.07
cash from financing activities	(137)	(284)	292	(176)	342	363
Net Changes in Cash	(481)	296	224	260	484	175
Beginning Balance	824	342	638	862	1,122	1,606
Ending balance	342	638	862	1,122	1,606	1,781

Ratio Highlights

Ratio Highlights	2016 A	2017 A	2018 A	2019 F	2020 F	2021 F
Growth (% YoY)						
Sales	31.26%	54.01%	29.25%	6.93%	23.49%	21.41%
OP	71.23%	29.91%	38.12%	11.28%	12.27%	21.41%
EBITDA	60.75%	31.66%	42.50%	6.64%	13.30%	23.87%
NP	56.68%	23.75%	44.27%	13.73%	9.77%	21.41%
EPS	56.68%	23.75%	44.27%	13.73%	9.77%	21.41%
Profitability						
Operating Margin(%)	11.73%	9.89%	10.57%	11.00%	10.00%	10.00%
EBITDA margin(%)	14.86%	12.71%	14.01%	13.97%	12.82%	13.08%
NET Profit margin(%)	7.82%	6.29%	7.02%	7.46%	6.63%	6.63%
ROA(%)	5.84%	4.77%	5.48%	5.43%	4.86%	4.96%
ROE(%)	10.94%	12.27%	15.50%	14.41%	13.55%	14.04%
Liquidity						
Current ratio (X)	1.31	1.03	1.12	1.13	1.14	1.16
cash ratio (x)	0.18	0.15	0.16	0.18	0.21	0.20
Solvability						
Tot debt/ Equity	0.87	1.57	1.83	1.66	1.79	1.83
Debt ratio	0.47	0.61	0.65	0.62	0.64	0.65
Per Share data (Rp)						
EPS	31.26	38.68	55.80	63.46	69.66	84.58
BVS	285.75	315.29	359.91	440.29	513.95	602.44

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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