

Investment Consideration

New contracts revised

WTON is further revising down their new contract target from IDR 11.5 tn to IDR 5,26 trillion. As of 1H20, IDR. 1,4 trillion of new contracts were booked which is down 47% yoy and 27% of the initial target. The new contracts are still dominated by infrastructure projects at 71,46% of the total. Based on customer profile (% of revenue), most new contracts are from parent WIKA Group and SOEs at 21,6% and 30,1% respectively. In order to mitigate the impact of the covid 19 outbreak, WTON is working on several plans, one of which is to maximize sales from carry over contracts (IDR 5 trillion) including from WIKA Group. WTON is also monitoring production and distribution schedules to control inventory and accelerate progress where possible. WIKA Group will help by accelerating payments from the HSR project, as well as Harbour (Ancol-Pluit), and Semarang-Demak toll roads, in 3Q20. Projects that have been acquired up to 1H20, include Indrapura Toll Road – Kisaran, Tebing Tinggi Toll – Parapat, Jakarta International Stadium, NYIA Airport Road, Balikpapan Samarinda Toll Road, NYIA Railway, Pekanbaru Dumai Toll Road, Pt Eclat Textile Indonesia factory development, Kijing Pier, Tahang Bridge, and others. With these strategies, we believe WTON will be able to achieve their revised target despite the current slowdown. Projects already acquired are being implemented with no delays, while some projects which have not started yet will experience delays until the current conditions are more conducive

Net margin down

Despite WTON's cost reduction program for both COGS and overheads since earlier this year, as of June 2020, there was a decrease in the Company's net profit of 78% yoy, while sales decreased 29% yoy. This was due to a decrease in plant utilization from 83% in 1H19, to 51% in 1H20, resulting in inefficiencies in production costs. Inefficiencies occur when plant utilization is below normal. As a result, the NPM in 1H20 was down to 1,96% compared to 6,32% in 1H19. We estimate, margins will improve when production is back to normal utilization in 2021, as long as the current pandemic ends in 2020. We are targeting 2020F and 2021F net margins of 4,16% and 6,94% respectively.

Valuation: 49% upside

Based on our adjustments, we are targeting IDR. 390/share, which is 7,0x PER. With 49% potential upside, we maintain BUY.

Profit and Loss						
(IDR.bn)	2017A	2018A	2019A	2020F	2021F	
Revenue	5.362	6.931	7.083	4.783	6.719	
Cost of revenues	(4.696)	(6.048)	(6.133)	(4.185)	(5.845)	
Gross Profit	667	882	951	598	873	
Operating expense	(136)	(150)	(155)	(139)	(134)	
Operating Profit	530	733	795	459	739	
Other income	(111)	(75)	(169)	(219)	(171)	
Pretax income(PBT)						
taxes	(79)	(170)	(116)	(43)	(102)	
Minority interest	(3)	(0)	2	2	0	
Net Profit	337	486	512	199	466	
EPS	39	56	59	23	54	
EBITDA	681	971	1.013	687	1.069	

8 Sept 2020
Precast, Equity

Price IDR. 262
Target Price IDR. 390
JKSE Index 5238.54



Stock Code WTON IJ
Bloomberg code 2353.2
Market cap (IDR.bn) 505
52-Week High (IDR) 184
52-Week Low (IDR) 284
6-m Avg Daily. Val (IDR) 33,05
Free Float (%) 33,05

Major Shareholders (%)
WIKA 60.00%
KKMS 5.96%
Yayasan Wijaya Karya 0.99%
Public 33,05%

USD/IDR-YE
2019A 13866
2020F (Avg) 14792

Key Indicators 2021F
Total Debt/ Equity (x) 2.08
Current ratio (x) 1.08

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

Chart: WTON's production installment capacities yoy

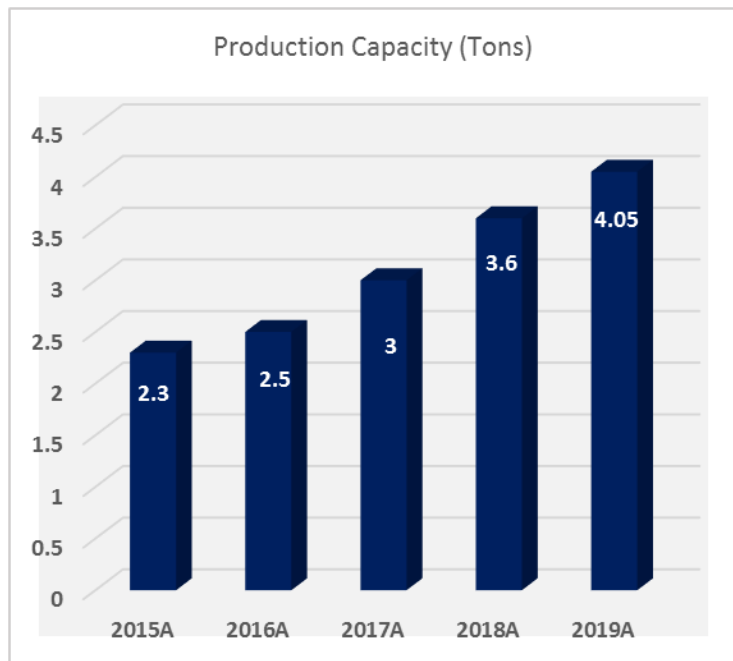


Chart: New contract and carry over contract yoy (in IDR. Trillion)

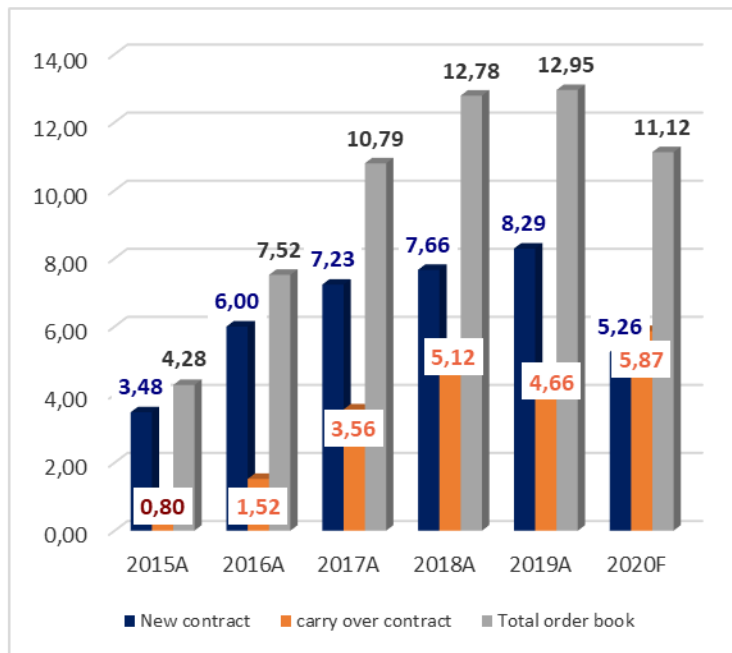


Chart: WTON's company profile based on business line (% from new contract) up to 1H20

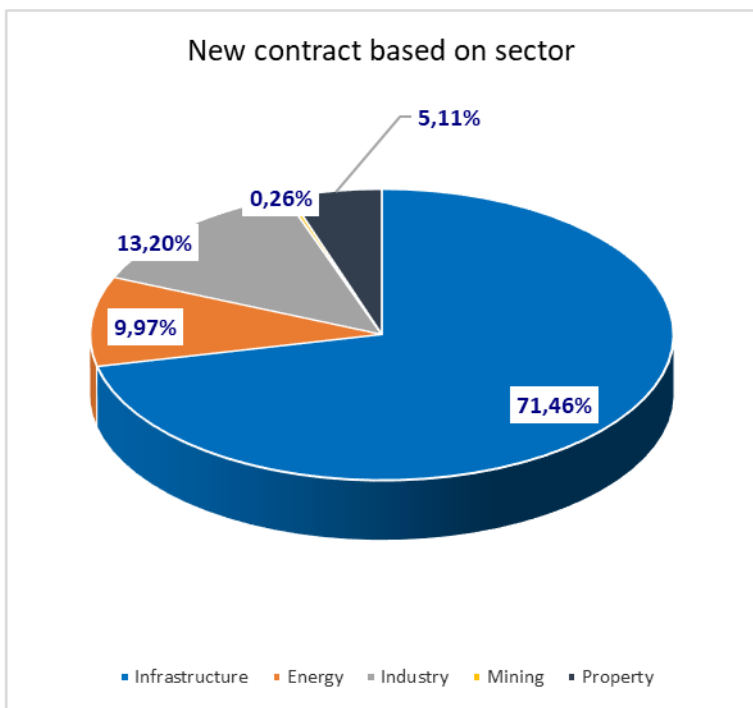
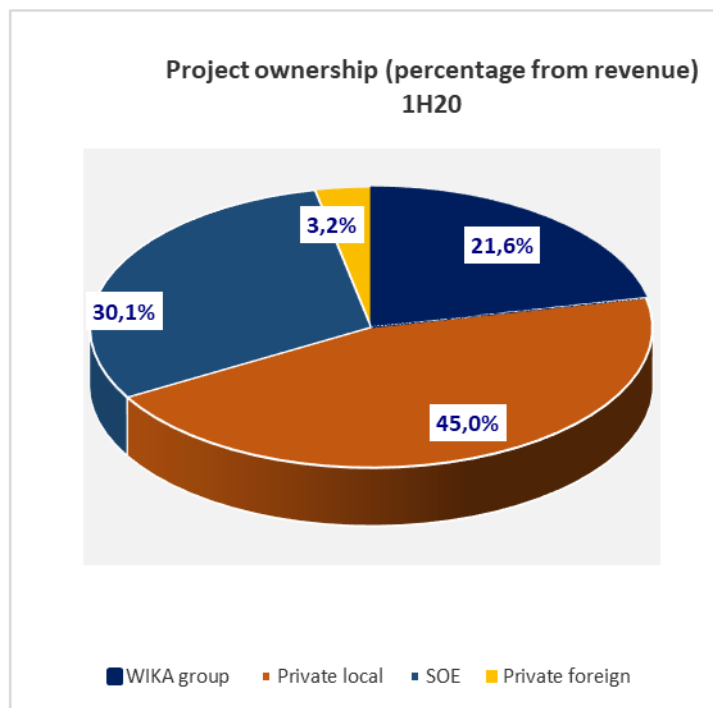


Chart: WTON's company profile based on business line (% from revenue) Up to 1H20



Profit and Loss (IDR.bn) yoy

Profit and Loss (IDR.bn)	2017A	2018A	2019A	2020F	2021F
Revenue	5.362	6.931	7.083	4.783	6.719
Cost of revenues	(4.696)	(6.048)	(6.133)	(4.185)	(5.845)
Gross Profit	667	882	951	598	873
Operating expense	(136)	(150)	(155)	(139)	(134)
Operating Profit	530	733	795	459	739
Other income	(111)	(75)	(169)	(219)	(171)
Pretax income(PBT)					
taxes	(79)	(170)	(116)	(43)	(102)
Minority interest	(3)	(0)	2	2	0
Net Profit	337	486	512	199	466
EPS	39	56	59	23	54
EBITDA	681	971	1.013	687	1.069

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	1.986,34	1.662,75
Trade Account Receivable	1.219,48	1.213,12	1.309,53	1.008,94	1.214,88
inventory	1.034,18	1.206,10	1.148,38	917,22	1.121,00
Other current asset	1.459,97	2.586,47	3.108,72	2.391,32	3.224,95
Total current Asset	4.351,38	5.870,71	7.168,91	6.303,82	7.223,57
Net Fixed Asset	2.679,46	2.947,96	3.012,08	3.191,76	3.700,66
other long term asset	37,14	63,10	156,91	143,48	134,37
Total non current Asset	2.716,60	3.011,06	3.168,98	3.335,24	3.835,04
Total Asset	7.067,98	8.881,78	10.337,90	9.639,05	11.058,61
Trade account payable	1.223,39	1.146,17	898,55	694,47	828,33
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	382,61	470,30
Other Current liabilities	1.443,14	2.090,98	2.847,32	1.673,92	1.988,72
Total current liabilities	4.216,31	5.248,09	6.195,05	5.600,96	6.707,30
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	14,42	15,86
Other Long term liabilities	103,73	107,12	100,18	73,92	141,09
Total non current liabilities	103,73	496,88	634,39	588,34	756,95
Total Liabilities	4.320,04	5.744,97	6.829,45	6.189,30	7.464,24
Total Equities	2.747,94	3.136,81	3.508,45	3.449,76	3.594,36
Total Liabilities and equity	7.067,98	8.881,78	10.337,90	9.639,05	11.058,61

Cash flow (IDR.bn)

Cash Flow (IDR. bn)	2017A	2018A	2019A	2020F	2021F
+ Net Income	337	486	512	199	466
+Depreciation	177	224	249	265	278
- Change in WC	737	-260	386	655	-137
Cash From Operating Activities	1.251	450	1.147	1.119	607
capex	-637	-492	-313	-445	-787
Other non current asset	-34	-26	-94	13	9
cash from investing activities	-671	-518	-407	-431	-777
Long term loans	-200	350	150	0	100
finance lease liabilities	0	40	-6	-20	1
Other Long term liabilities	-4	3	-7	-26	67
Equity	-80	-97	-141	-258	-322
cash from financing activities	-284	296	-3	-304	-153
Net Changes in Cash	296	227	737	384	-324
Beginning Balance	342	638	865	1.602	1.986
Ending balance	638	865	1.602	1.986	1.663

Ratio Highlights

Ratio Highlights	2017 A	2018 A	2019 A	2020 F	2021 F
Growth (% YoY)					
Sales	54,01%	29,25%	2,20%	-32,48%	40,48%
OP	29,91%	38,12%	8,58%	-42,28%	60,97%
EBITDA	31,66%	42,50%	4,30%	-32,12%	55,49%
NP	23,75%	44,27%	5,34%	-61,17%	134,41%
EPS	23,75%	44,27%	5,34%	-61,17%	134,41%
Profitability					
Operating Margin(%)	9,89%	10,57%	11,23%	9,60%	11,00%
EBITDA margin(%)	12,71%	14,01%	14,30%	14,37%	15,91%
NET Profit margin(%)	6,29%	7,02%	7,23%	4,16%	6,94%
ROA(%)	4,77%	5,48%	4,96%	2,06%	4,22%
ROE(%)	12,27%	15,50%	14,60%	5,77%	12,97%
Liquidity					
Current ratio (X)	1,03	1,12	1,16	1,13	1,08
cash ratio (x)	0,15	0,16	0,26	0,35	0,25
Solvability					
Tot debt/ Equity	1,57	1,83	1,95	1,79	2,08
Debt ratio	0,61	0,65	0,66	0,64	0,67
Per Share data (Rp)					
EPS	38,68	55,80	58,79	22,83	53,51
BVS	315,29	359,91	402,55	395,82	412,41

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.