

Wednesday, 27 November 2019

**BUY**  
**Maintain**

Last price (IDR) 444  
Target Price (IDR) 680  
Upside/Downside +53.2%  
Previous Target Price (IDR) 730

**Stock Statistics**

Sector Construction  
Bloomberg Ticker WTON IJ  
No of Shrs (mn) 8,338  
Mkt. Cap (IDRbn/USDmn) 3,702/263  
Avg. daily T/O (IDRbn/USDmn) 7.5/0.5

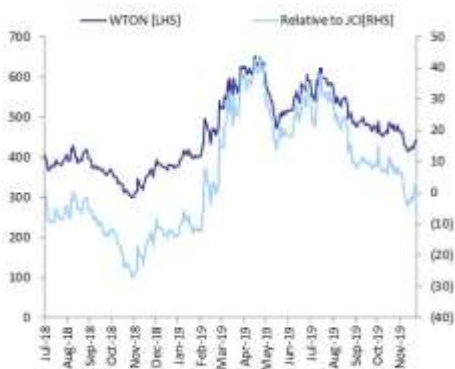
**Major shareholders (%)**

Wijaya Karya 78.4  
Public 21.6

**EPS Consensus (IDR)**

	2019F	2020F	2021F
Danareksa	60.8	68.8	77.3
Consensus	61.8	72.3	83.1
Danareksa/Cons	(1.7)	(4.9)	(7.0)

**WTON relative to JCI Index**



Source : Bloomberg



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# Wijaya Karya Beton (WTON IJ)

**Next year should be better**

**We cut our 2019 targets by 7-10% given the soft 9M performance due to political issues. Although we expect a flattish 2019, growth should pick up in 2020. Higher 2020 targets reflect a low base and stalled projects owing to the elections. In other developments, WTON is in the process of divesting its treasury stock. The treasury stock amounts to 4.3% of the outstanding shares and is planned to be divested through a private placement. WTON obtained the treasury stock in 2013 and it must be divested by the third week of Dec19.**

**Set to divest its treasury stock.** WTON owns 377mn treasury shares, representing 4.33% of the outstanding shares. The stock was obtained in 2013 and based on the relevant regulation the stock must be divested no later than at the end of the 6-year holding period which is 24 Dec19. The value of the treasury stock is IDR58.2bn, translating into a price per share of IDR154. The divestment of the treasury stock will be done through a private placement.

**Expect flattish 2019 performance.** We cut our 2019 targets by 7% to 10% given the weak 9M19 performance. We now expect new contracts to reach IDR8.1tn (+6.0%yoy), an 8% cut in the target. In turn, this gives rise to revenues of IDR7.0tn and net income of IDR507bn - or 10% and 9% lower than our previous targets. As such, we expect flattish growth in 2019. Our new revenues target is slightly higher than the previous year's by 1.5%yoy while our net income target depicts 4.2%yoy growth. The 2019 order book is expected to reach IDR13.5tn (+1.5%yoy). WTON booked IDR5.2tn of new contracts in 10M19 or reaching 64.0% of our latest new-contracts target. The figure is lower than the previous year's figure (77%). However, our new contracts target is more conservative than the company's (IDR8.5tn).

**Expecting better growth in 2020.** We expect brisker growth in 2020 as delayed projects from the previous year will be realized. We foresee 10%yoy growth in new contracts to IDR8.9tn which will result in IDR8.2tn of revenues and IDR574bn of net income. As such, the revenues and net income will post growth of 16.2%yoy and 13.2%yoy, respectively.

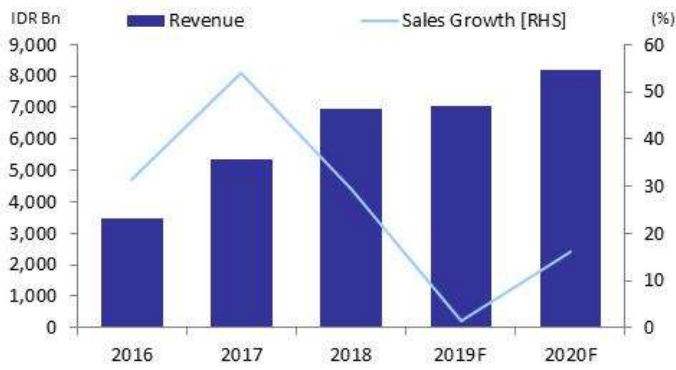
**Maintain BUY.** We roll over our valuation to 2020 and maintain our BUY call on WTON. Based on the 2020 EPS and 10.0x applied PE (previously 11.0x) we arrive at a new TP of IDR680 (IDR730 previously). The applied PE is based on the median between the average and -1SD historical PE. WTON has a healthy balance sheet with 0.77x DER as of Sep19 providing room for growth in the future.

**Key Financials**

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
Revenue (IDRbn)	5,362	6,931	7,037	8,179	9,054
EBITDA (IDRbn)	710	981	1,038	1,163	1,286
EBITDA Growth (%)	30.1	38.2	5.9	12.0	10.6
Net profit (IDRbn)	337	486	507	574	644
EPS (IDR)	40.4	58.3	60.8	68.8	77.3
EPS growth (%)	23.7	44.3	4.2	13.2	12.3
BVPS (IDR)	320.9	367.5	410.8	461.4	518.0
DPS (IDR)	9.8	12.1	17.5	18.2	20.6
PER (x)	11.0	7.6	7.3	6.5	5.7
PBV (x)	1.4	1.2	1.1	1.0	0.9
Dividend yield (%)	2.2	2.7	3.9	4.1	4.6
EV/EBITDA (x)	6.4	4.8	4.7	4.3	4.0

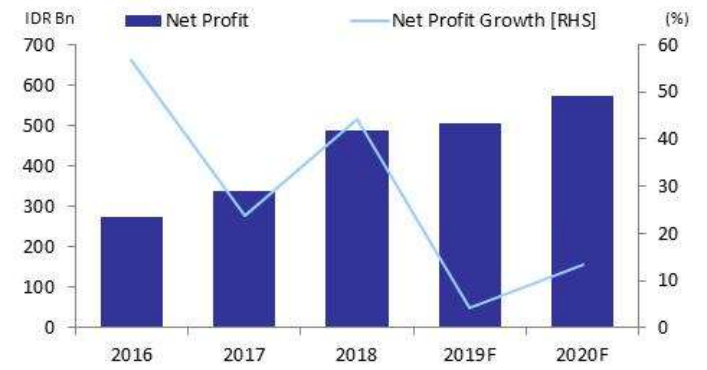
Source : WTON, Danareksa Estimates

**Exhibit 1. Revenues and Growth**



Source: Company, Danareksa Sekuritas estimates

**Exhibit 2. Net Profits and Growth**



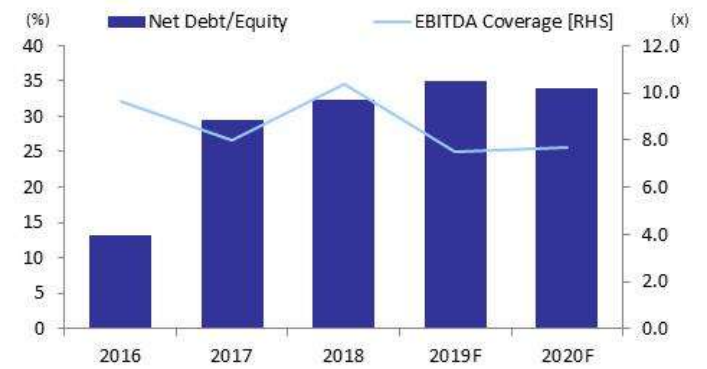
Source: Company, Danareksa Sekuritas estimates

**Exhibit 3. Margins**



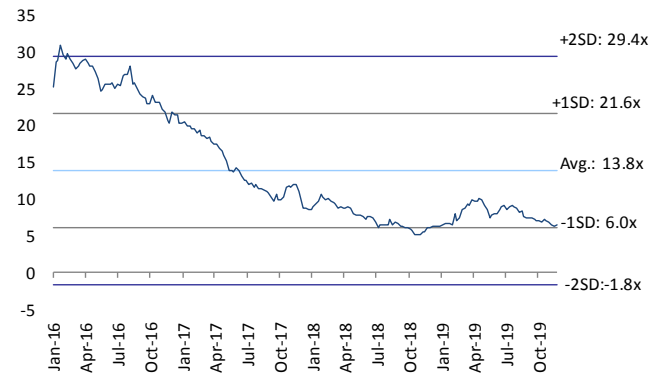
Source: Company, Danareksa Sekuritas estimates

**Exhibit 4. Gearing Level**



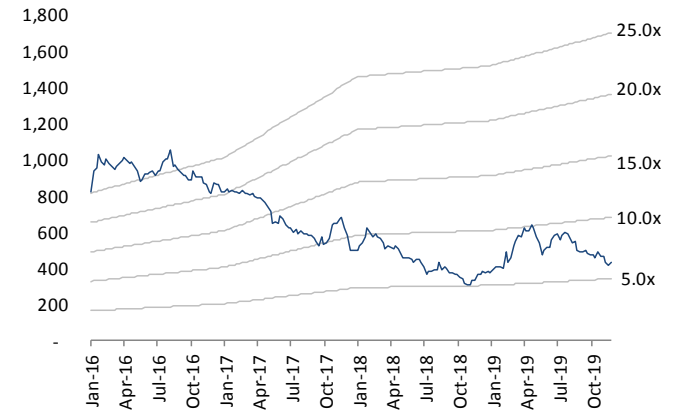
Source: Company, Danareksa Sekuritas estimates

**Exhibit 5. PE Band Chart**



Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 6. PBV Band Chart**



Source: Bloomberg, Danareksa Sekuritas estimates

**Exhibit 7. Forecast changes**

(IDR Bn)	Old		New		Chg. (%)		Growth (%yoy)	
	2019	2020	2019	2020	2019	2020	2019	2020
New contracts	8,813	10,135	8,124	8,936	-7.8%	-11.8%	6.0%	10.0%
Carry over	5,854	6,893	5,409	6,496	-7.6%	-5.8%	5.6%	20.1%
Order book	14,667	17,029	13,532	15,431	-7.7%	-9.4%	5.9%	14.0%
Revenues	7,773	9,025	7,037	8,179	-9.5%	-9.4%	1.5%	16.2%
Gross profit	980	1,137	957	1,079	-2.3%	-5.2%	8.4%	12.7%
Op. profit	791	919	808	905	2.0%	-1.5%	6.7%	12.1%
Net profit	554	651	507	574	-8.5%	-11.9%	4.2%	13.2%
Burn rate (%)	53.0%	53.0%	52.0%	53.0%				
GPM (%)	12.6%	12.6%	13.6%	13.2%				
OPM (%)	10.2%	10.2%	11.5%	11.1%				
NPM (%)	7.1%	7.2%	7.2%	7.0%				

Source: Danareksa Sekuritas estimates

### Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
<b>Revenue</b>	<b>5,362</b>	<b>6,931</b>	<b>7,037</b>	<b>8,179</b>	<b>9,054</b>
COGS	(4,696)	(6,048)	(6,080)	(7,100)	(7,860)
<b>Gross profit</b>	<b>667</b>	<b>882</b>	<b>957</b>	<b>1,079</b>	<b>1,194</b>
<b>EBITDA</b>	<b>710</b>	<b>981</b>	<b>1,038</b>	<b>1,163</b>	<b>1,286</b>
<b>Oper. profit</b>	<b>531</b>	<b>757</b>	<b>808</b>	<b>905</b>	<b>1,002</b>
Interest income	4	5	7	11	10
Interest expense	(89)	(95)	(139)	(151)	(153)
Forex Gain/(Loss)	(1)	0	0	0	0
Income From Assoc. Co's	0	0	0	0	0
Other Income (Expenses)	(10)	(10)	0	0	0
<b>Pre-tax profit</b>	<b>435</b>	<b>657</b>	<b>676</b>	<b>765</b>	<b>859</b>
Income tax	(95)	(170)	(169)	(191)	(215)
Minority interest	(3)	0	0	0	0
<b>Net profit</b>	<b>337</b>	<b>486</b>	<b>507</b>	<b>574</b>	<b>644</b>
<b>Core Net Profit</b>	<b>346</b>	<b>494</b>	<b>507</b>	<b>574</b>	<b>644</b>

### Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Cash & cash equivalent	638	865	1,327	1,222	1,152
Receivables	1,228	1,556	1,613	1,862	2,072
Inventory	1,034	1,206	1,216	1,491	1,733
Other Curr. Asset	1,451	2,243	1,973	2,139	2,318
Fixed assets - Net	2,679	2,948	3,146	3,389	3,605
Other non-curr.asset	37	63	69	75	82
<b>Total asset</b>	<b>7,068</b>	<b>8,882</b>	<b>9,344</b>	<b>10,178</b>	<b>10,962</b>
ST Debt	1,445	1,491	2,502	2,093	2,453
Payables	1,298	1,220	1,256	1,386	1,453
Other Curr. Liabilities	1,473	2,538	1,934	2,213	2,451
Long Term Debt	0	390	48	460	106
Other LT. Liabilities	104	107	107	107	107
<b>Total Liabilities</b>	<b>4,320</b>	<b>5,745</b>	<b>5,846</b>	<b>6,259</b>	<b>6,570</b>
Shareholder's Funds	2,676	3,064	3,425	3,847	4,319
Minority interests	72	72	72	72	72
<b>Total Equity &amp; Liabilities</b>	<b>7,068</b>	<b>8,882</b>	<b>9,344</b>	<b>10,178</b>	<b>10,962</b>

### Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2017A	2018A	2019F	2020F	2021F
Net income	337	486	507	574	644
Depreciation and Amort.	179	224	231	257	284
Change in Working Capital	(239)	(305)	(364)	(281)	(325)
Other Oper. Cash Flow	84	92	132	140	143
<b>Operating Cash Flow</b>	<b>361</b>	<b>497</b>	<b>506</b>	<b>690</b>	<b>746</b>
Capex	(639)	(492)	(429)	(500)	(500)
Others Inv. Cash Flow	3	5	7	11	10
<b>Investing Cash Flow</b>	<b>(636)</b>	<b>(487)</b>	<b>(422)</b>	<b>(489)</b>	<b>(490)</b>
Net change in debt	776	435	669	4	6
New Capital	1	(42)	0	0	0
Dividend payment	(82)	(101)	(146)	(152)	(172)
Other Fin. Cash Flow	(94)	(50)	(139)	(151)	(153)
<b>Financing Cash Flow</b>	<b>601</b>	<b>242</b>	<b>384</b>	<b>(299)</b>	<b>(319)</b>
<b>Net Change in Cash</b>	<b>325</b>	<b>252</b>	<b>468</b>	<b>(99)</b>	<b>(63)</b>
Cash - begin of the year	342	638	865	1,327	1,222
Cash - end of the year	638	865	1,327	1,222	1,152

### Exhibit 11. Key Ratios

Year to 31 Dec	2017A	2018A	2019F	2020F	2021F
<b>Growth (%)</b>					
Sales	54.0	29.2	1.5	16.2	10.7
EBITDA	30.1	38.2	5.9	12.0	10.6
Operating profit	30.0	42.6	6.7	12.1	10.7
Net profit	23.7	44.3	4.2	13.2	12.3
<b>Profitability (%)</b>					
Gross margin	12.4	12.7	13.6	13.2	13.2
EBITDA margin	13.2	14.2	14.8	14.2	14.2
Operating margin	9.9	10.9	11.5	11.1	11.1
Net margin	6.3	7.0	7.2	7.0	7.1
ROAA	5.7	6.1	5.6	5.9	6.1
ROAE	13.2	16.9	15.6	15.8	15.8
<b>Leverage</b>					
Net Gearing (x)	0.3	0.3	0.3	0.3	0.3
Interest Coverage (x)	6.0	8.0	5.8	6.0	6.6

Source : WTON, Danareksa Estimates

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