

Friday, 05 June 2020

BUY
Maintain

Last price (IDR) 254
Target Price (IDR) 400
Upside/Downside +57.5%
Previous Target Price (IDR) 400

Stock Statistics

Sector Construction
Bloomberg Ticker WTON IJ
No of Shrs (mn) 8,338
Mkt. Cap (IDRbn/USDmn) 2,118/150
Avg. daily T/O (IDRbn/USDmn) 3.8/0.3

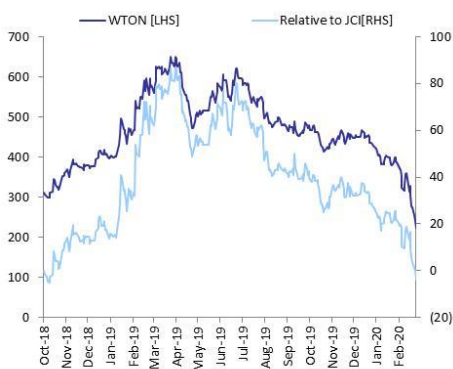
Major shareholders (%)

Wijaya Karya 78.4
Public 21.6

EPS Consensus (IDR)

	2020F	2021F	2022F
Danareksa	66.3	77.0	91.1
Consensus	64.8	78.7	89.7
Danareksa/Cons	2.3	(2.1)	1.5

WTON relative to JCI Index



Source : Bloomberg



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Wijaya Karya Beton(WTON IJ)

Cost cutting supported the 1Q20 performance

WTON booked flattish 1Q20 earnings growth of +2.6%yoy despite a lower top line (-9.9%yoy) thanks to lower operating expenses and interest expenses. Operating expenses were down by 12.6%yoy while interest expenses fell by 17.9%yoy on the back of stable interest bearing debts. The DER stood at 0.88x as of Mar20 (Dec19: 0.83x) with a 4.71x interest coverage ratio. Operating cash flow was negative IDR108bn, better than negative IDR720bn in 1Q20, resulting in an improving ARTO at 1.15x vs. 0.96x in 1Q19. WTON is trading below its -1SD historical 3-yrs of 5.1x. Maintain BUY.

Flattish 1Q20 earnings growth. WTON booked 1Q20 earnings of IDR73bn with flattish growth of +2.6%yoy despite lower revenues. The result is 13% of our full year forecast and consensus estimates but also similar to last year's rate of 14%; i.e. in-line.

The top line reached IDR1.2tn, down by 10%yoy, as we believe revenues were partially impacted by the COVID-19 pandemic with some regions in Indonesia starting to implement wide-scale social distancing by the middle of March 2020. WIKA was still the main revenues contributor with a 10% contribution followed by PLN (9%). Nonetheless, WIKA's contribution rate was far lower than it was in the previous year (25%).

The 1Q20 performance was supported by lower operating costs. Operating costs such as G&A expenses, business development expenses and selling expenses were lower indicating better efficiency. Overall, the operating expenses were down by 18.7%yoy at IDR104bn.

Stable debts and better cash flow. Interest bearing debts were relatively stable at IDR2.8tn as of Mar20 (Dec19: IDR2.9tn) resulting in a DER of 0.88x (Dec19: 0.83x) with an interest coverage ratio of 4.71x (Mar19: 4.76x). Interest expenses paid in 1Q20 reached IDR22bn, or -17.9%yoy, on the back of the downtrend in interest rates. WTON booked operating cash flow of negative IDR108bn. This is an improvement from negative IDR720bn in the previous year. The company has managed to get more customers to make their payments on a cash basis, as reflected in a higher ARTO of 1.15x in Mar20 vs. 0.96x in Mar19.

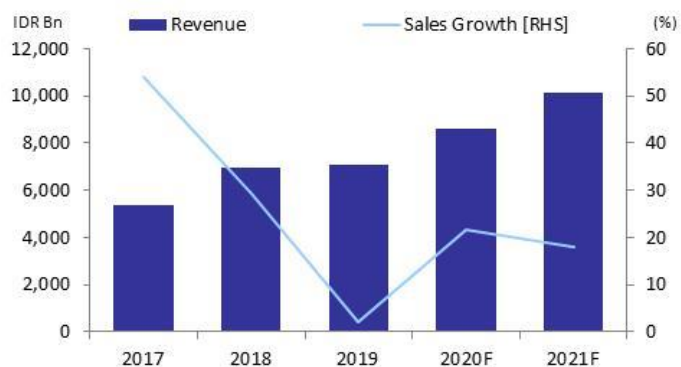
Valuation. WTON is trading at 3.8x 20 PE, below its -1SD historical 3-yrs PE of 5.1x. We maintain our BUY call and TP of IDR400. Our TP translates into 6.0x 20PE.

Key Financials

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Revenue (IDRbn)	6,931	7,083	8,617	10,154	11,788
EBITDA (IDRbn)	981	1,046	1,249	1,454	1,668
EBITDA Growth (%)	38.2	6.7	19.4	16.5	14.7
Net profit (IDRbn)	486	512	553	642	759
EPS (IDR)	58.3	61.4	66.3	77.0	91.1
EPS growth (%)	44.3	5.3	7.9	16.2	18.2
BVPS (IDR)	367.5	412.3	460.2	517.3	585.2
DPS (IDR)	12.1	17.5	18.4	19.9	23.1
PER (x)	4.4	4.1	3.8	3.3	2.8
PBV (x)	0.7	0.6	0.6	0.5	0.4
Dividend yield (%)	4.8	6.9	7.3	7.8	9.1
EV/EBITDA (x)	3.2	3.3	3.2	2.9	2.7

Source : WTON, Danareksa Estimates

Exhibit 1. Revenues and Growth



Source: Company, Danareksa Sekuritas estimates

Exhibit 2. Net Profits and Growth



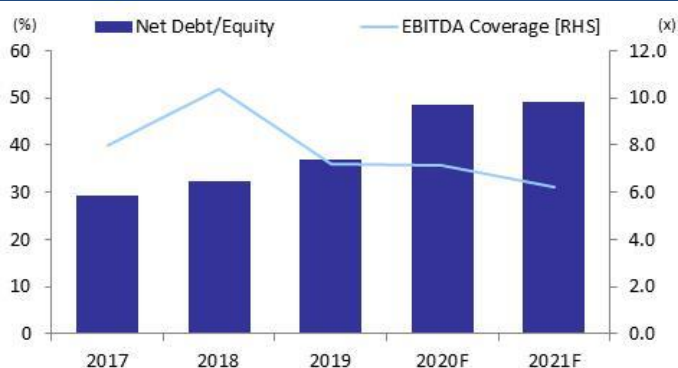
Source: Company, Danareksa Sekuritas estimates

Exhibit 3. Margins



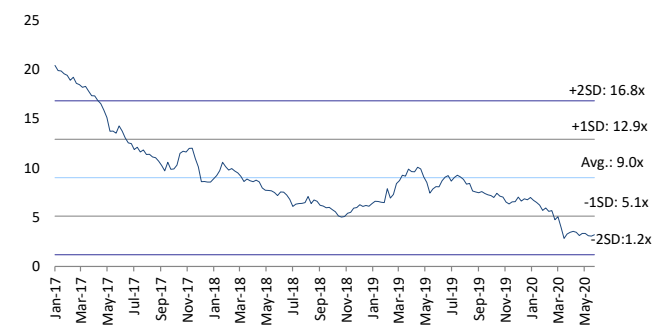
Source: Company, Danareksa Sekuritas estimates

Exhibit 4. Gearing Level



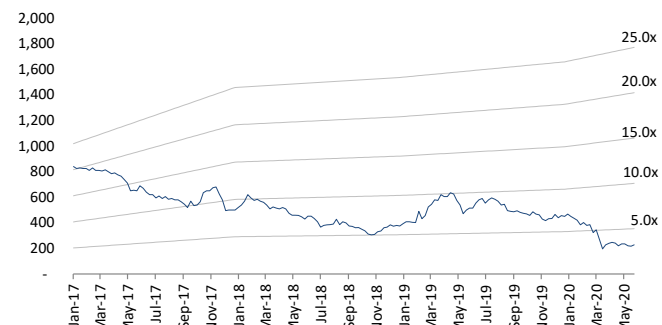
Source: Company, Danareksa Sekuritas estimates

Exhibit 5. PE Band Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 6. Share Price Chart



Source: Bloomberg, Danareksa Sekuritas estimates

Exhibit 7. WTON 1Q20 Result Summary

IDR Bn	1Q19	4Q19	1Q20	QoQ Chg %	YoY Chg %	1Q20	YoY Chg %	FY20F	A/F (%)
Revenue	1,294	2,712	1,166	(57.0)	(9.9)	1,166	(9.9)	8,617	13.5
Gross profit	161	352	133	(62.3)	(17.3)	133	(17.3)	1,163	11.4
Op. profit	128	309	104	(66.3)	(18.7)	104	(18.7)	974	10.7
Net profit	71	209	73	(65.2)	2.6	73	2.6	553	13.1
GPM (%)	12.4	13.0	11.4	(1.6)	(1.0)	11.4	(1.0)	13.5	
OPM (%)	9.9	11.4	8.9	(2.5)	(1.0)	8.9	(1.0)	11.3	
NPM (%)	5.5	7.7	6.2	(1.5)	0.8	6.2	0.8	6.4	

Source: Danareksa Sekuritas estimates

Exhibit 8. Income Statement

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Revenue	6,931	7,083	8,617	10,154	11,788
COGS	(6,048)	(6,133)	(7,453)	(8,760)	(10,170)
Gross profit	882	951	1,163	1,393	1,617
EBITDA	981	1,046	1,249	1,454	1,668
Oper. profit	757	797	974	1,171	1,359
Interest income	5	8	13	10	10
Interest expense	(95)	(146)	(175)	(233)	(251)
Forex Gain/(Loss)	0	1	0	0	0
Income From Assoc. Co's	0	5	0	0	0
Other Income (Expenses)	(10)	5	(75)	(92)	(106)
Pre-tax profit	657	671	737	857	1,012
Income tax	(170)	(160)	(184)	(214)	(253)
Minority interest	0	2	0	0	0
Net profit	486	512	553	642	759
Core Net Profit	494	521	628	734	865

Exhibit 9. Balance Sheet

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Cash & cash equivalent	865	1,602	1,306	1,300	1,256
Receivables	1,556	1,792	2,097	2,375	2,688
Inventory	1,206	1,148	1,491	1,840	2,243
Other Curr. Asset	2,243	2,626	2,669	2,904	3,168
Fixed assets - Net	2,948	3,012	3,683	3,899	4,090
Other non-curr.asset	63	157	162	168	174
Total asset	8,882	10,338	11,408	12,485	13,619
ST Debt	1,491	2,364	2,744	2,749	3,063
Payables	1,220	939	1,287	1,432	1,575
Other Curr. Liabilities	2,538	2,892	2,918	3,112	3,292
Long Term Debt	390	534	452	708	637
Other LT. Liabilities	107	100	100	100	100
Total Liabilities	5,745	6,829	7,500	8,101	8,668
Shareholder's Funds	3,064	3,438	3,837	4,313	4,880
Minority interests	72	71	71	71	71
Total Equity & Liabilities	8,882	10,338	11,408	12,485	13,619

Exhibit 10. Cash Flow

Year to 31 Dec (IDRbn)	2018A	2019A	2020F	2021F	2022F
Net income	486	512	553	642	759
Depreciation and Amort.	224	249	274	284	309
Change in Working Capital	(305)	(487)	(318)	(522)	(656)
Other Oper. Cash Flow	92	127	162	222	240
Operating Cash Flow	497	400	672	627	652
Capex	(492)	(313)	(945)	(500)	(500)
Others Inv. Cash Flow	5	(67)	13	10	10
Investing Cash Flow	(487)	(379)	(932)	(490)	(490)
Net change in debt	435	1,018	298	262	244
New Capital	(42)	7	0	0	0
Dividend payment	(101)	(146)	(154)	(166)	(193)
Other Fin. Cash Flow	(50)	(144)	(175)	(233)	(251)
Financing Cash Flow	242	734	(31)	(137)	(200)
Net Change in Cash	252	755	(291)	0	(38)
Cash - begin of the year	638	865	1,602	1,306	1,300
Cash - end of the year	865	1,602	1,306	1,300	1,256

Exhibit 11. Key Ratios

Year to 31 Dec	2018A	2019A	2020F	2021F	2022F
Growth (%)					
Sales	29.2	2.2	21.6	17.8	16.1
EBITDA	38.2	6.7	19.4	16.5	14.7
Operating profit	42.6	5.4	22.2	20.1	16.1
Net profit	44.3	5.3	7.9	16.2	18.2
Profitability (%)					
Gross margin	12.7	13.4	13.5	13.7	13.7
EBITDA margin	14.2	14.8	14.5	14.3	14.1
Operating margin	10.9	11.3	11.3	11.5	11.5
Net margin	7.0	7.2	6.4	6.3	6.4
ROAA	6.1	5.3	5.1	5.4	5.8
ROAE	16.9	15.8	15.2	15.8	16.5
Leverage					
Net Gearing (x)	0.3	0.4	0.5	0.5	0.5
Interest Coverage (x)	8.0	5.5	5.6	5.0	5.4

Source : WTON, Danareksa Estimates

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