

26 FEBRUARY 2018

COMPANY UPDATE

BUY

STOCK INFORMATION

Bloomberg Code	WTON JI
Sector	Precast Concrete
Current Price	Rp 750
Target Price	Rp 850
Previous Target Price	Rp 780
Upside/Downside	49%
Share Out (bn shares)	8.7
Market Cap (Rp bn)	Rp 4,968
52 – w range (low-high)	Rp 470 – Rp 825
52 – w average daily	Rp 631

PRICE CHART



Source: Bloomberg

SHAREHOLDERS INFORMATION, AS OF 31 DECEMBER 2017

PT Wijaya Karya (Persero) Tbk	60.0%
Koperasi Karya MitraS atya (KKMS)	6.9%
Yayasan Wijaya Karya	1.0%
Public (below 5%)	27.8%
Treasury Stock	4.3%

Source: Company data

PER BAND



Source: Bloomberg and Lotus Andalan Research

Theodorus ArielKristian
theodorus.ariel@lotussekuritas.com
(+62-21) 5785 1818 ext. 2050

PT WIJAYA KARYA BETON Tbk

2017 Inline Result – Superior 4Q17 Performance

The company's revenue and net profit grew by 54% YoY and 23.5% YoY reached to Rp 5.4 trillion and to Rp 337.1 billion which came in line with our expectation which covered by 106% and 97% to our 2017 forecast of Rp 5.1 trillion in revenue and Rp 347 billion in net profit, respectively. Currently, the share price was still traded below its average PER – 1stdev of 15.44x which translated an attractive valuation, hence, we maintain our BUY rating for the counter.

2017 Inline Result backed by solid new contract

WTON has released its strong 2017 financial result, in which the revenue and net profit grew by 54% YoY and 23.5% YoY reached to Rp 5.4 trillion (vs Rp 3.5 trillion in 2016) and to Rp 337.1 billion (vs Rp 273.0 billion in 2016) buoyed by its strong new contract realization of Rp 7.1 trillion (+18.7% YoY vs Rp 5.9 trillion in 2016) mainly came from government infrastructure projects. In all, its 2017 revenue and net profit came in line with our expectation which covered by 106% and 97% to our 2017 forecast of Rp 5.1 trillion in revenue and Rp 347 billion in net profit, respectively. From the profitability side, the company's gross, operating and net margins decreased by 206 bps, 184 bps and 155 bps became to the level of 12.4% (vs 14.5% in 2016); 9.9% (vs 11.7% in 2016) and 6.3% (vs 7.8% in 2016) due to 1) the dependence of the construction of infrastructure projects and 2) WTON will recognize the sale of precast products as revenue when the products have been delivered to the customers.

Recorded a superior 4Q17 result

In 4Q17 period, the company managed to record a revenue of Rp 1.9 trillion and a net profit of Rp 117 billion which increased by 35.5% QoQ and 39.7% QoQ thanks to 1) the addition of new contract realization of Rp 2.9 trillion (vs Rp 1.2 trillion in 3Q17) mainly came from AP Pettarani Elevated Toll Road Project in Makassar with total length of 4.3 km and total value contract of Rp 1.8 trillion and 2) revenue recognition from the delivery of precast products to the customers related with the progress of the ongoing infrastructure projects mainly dominated from spun concrete products (50%-55% portion to the total revenue). As a result, the company's gross and operating margins improved by 90 bps and 60 bps became to the level of 12.0% (vs 1.1% in 3Q17) and 9.5% (vs 8.9% in 3Q17), respectively. Meanwhile, the net margin also increased by 18 bps during the same period from 5.8% to 6.0%.

2018 forecast guidance

We expect that the company will target 2018 new contract of Rp 7.8 trillion which will still be dominated from large-scale government infrastructure projects, while the remaining carry over contract is projected at Rp 5.7 trillion. Hence, we forecast that the revenue and net profit will grow by 22.1% YoY and 23.0% YoY attain to Rp 6.5 trillion and Rp 414.7 billion, respectively. Due to the dependence of ongoing infrastructure project's progress and revenue recognition when the products have been delivered to the customers, we expect that the company's profitability will experience a slight decline in 2018, in which the gross, operating and EBITDA margins are projected to reach the level of 12.2% (-21 bps), 9.7% (-17 bps) and 13.1% (-9 bps).

Maintain BUY rating with adjusted TP Rp 850/share

As a result of those 2018 guidance, we derive a new fair value of WTON at Rp 850 per share (vs previously fair value of Rp 780 per share) which implied a target of 17.86x PER 2018F and 9.58x EV/EBITDA 2018F. Currently, the share price was still traded below its average PER – 1stdev of 15.44x which translated an attractive valuation, hence, we maintain our BUY rating for the counter with 49% upside potential.

The Risk: 1) delays in infrastructure projects; 2) rising raw material prices; 3) weakening Rupiah currency; 3) delays in production capacity expansions; 4) contingencies from being labour-intensive; and 5) increasing competition.

Financial Summary

(Rp billion)	2016A	2017A	2018F	2019F	2020F
Revenue	3,482	5,362	6,550	7,922	8,708
EBITDA	544	709	860	987	1,138
Net profit	273	337	415	486	624
EPS (Rp)	31	39	48	56	72
PER (x)	18.20	14.74	11.98	10.23	7.96
BVPS (Rp)	278	307	343	385	439
PBV (x)	2.05	1.86	1.66	1.48	1.30
EV/EBITDA (x)	9.37	8.14	6.58	5.70	4.83
Dividend yield (%)	1.72	2.04	2.50	2.93	3.77
RoE (%)	11.80	13.22	14.64	15.32	17.39

Source: Company data and Lotus Andalan Research

Interim Financial Result									
	2016	2017	YoY	FY17F	% cover	3Q17	4Q17	QoQ	The Comments
Assumption (In Rp billion)									
New Contract	5,997	7,118	18.7%	6,123	116%	1,206	2,918	141.9%	Beat expectation, 4Q17 solid new contract
P/L (In Rp billion)									
Revenue	3,482	5,362	54.0%	5,057	106%	1,429	1,937	35.5%	Inline
Cost of revenue	2,977	4,696	57.7%	4,444	106%	1,270	1,704	34.2%	
Gross profit	504	667	32.2%	613	109%	159	233	46.5%	
Operating expense	96	136	41.7%	118	115%	32	49	53.7%	
Operating profit	408	530	29.9%	495	107%	127	184	44.7%	
EBITDA	544	709	30.4%	697	102%	178	243	36.7%	
Net Profit	273	337	23.5%	347	97%	84	117	39.7%	Inline
Profitability									
Gross margin	14.5%	12.4%		12.1%		11.1%	12.0%		The profitability improved in 4Q17 mainly driven by spun concrete product's delivery which offered higher margin.
EBIT margin	11.7%	9.9%		9.8%		8.9%	9.5%		
EBITDA margin	15.6%	13.2%		13.8%		12.4%	12.5%		
Net margin	7.8%	6.3%		6.9%		5.8%	6.0%		

Source: Company data and Lotus Andalan Research

Financial Highlights of PT Wijaya Karya Beton Tbk

In Rp Billion									
BALANCE SHEET	2016A	2017A	2018F	2019F	INCOME STATEMENT	2016A	2017A	2018F	2019F
ASSETS									
Cash and cash equivalent	342	638	420	290	Total Revenues	3,482	5,362	6,550	7,922
Accounts Receivable	663	1,228	1,346	1,628	COGS	2,977	4,696	5,749	6,986
Inventories	694	1,034	1,103	1,340	Gross profit	504	667	800	936
Other current assets	740	1,451	1,406	1,843	Operating expenses	96	136	164	206
Total Current Assets	2,440	4,351	4,275	5,100	Operating profit	408	530	636	730
Fixed Assets	2,219	2,679	2,812	2,827	EBITDA	544	709	860	987
Investments in associates	-	-	-	-	Equity net income of associates	-	-	-	-
Other non-current assets	4	37	15	19	Interest income	16	4	21	14
Total Non-Current Assets	2,223	2,717	2,827	2,845	Interest expenses	(57)	(89)	(122)	(111)
TOTAL ASSETS	4,663	7,068	7,102	7,945	Others	(27)	(26)	(20)	(25)
					Total other income/(expenses)	(67)	(111)	(120)	(121)
LIABILITIES & EQUITY					Income before tax	341	420	516	609
Short term loan	350	1,245	1,058	870	Tax expense	(59)	(79)	(97)	(115)
Accounts Payable	664	1,223	1,418	1,723	Net profit before minority interest	282	340	419	494
Current maturities - LT debts	120	200	58	81	Minority interest	(9)	(3)	(4)	(9)
Other current liabilities	730	1,548	1,078	1,334	Net profit	273	337	415	486
Total Current Liabilities	1,864	4,216	3,611	4,007	EPS (Rp)	31	39	48	56
LT debt - net current maturities	200	-	323	392					
MTN	-	-	-	-					
Other non-current liabilities	108	104	97	103					
Total Non-Current Liabilities	308	104	419	495					
Minority Interest	69	72	82	93					
Capital Stock	872	872	872	872					
Additional paid in capital	973	973	973	973					
Others equity	(101)	(103)	(103)	(103)					
Retained earnings	679	935	1,248	1,610					
Total Equity	2,423	2,676	2,990	3,351					
TOTAL LIABILITIES & EQUITY	4,663	7,068	7,102	7,945					
CASH FLOW STATEMENT	2016A	2017A	2018F	2019F	KEY FINANCIAL RATIOS	2016A	2017A	2018F	2019F
Net profit	273	337	415	486	Growth (%)				
Depreciation & Amortization	135	179	224	257	Revenue	31.26	54.01	22.14	20.95
Change in WC	(74)	(281)	(26)	(213)	Gross profit	53.52	32.16	20.05	16.98
Others	(381)	(158)	(68)	(113)	Operating Profit	71.23	29.91	20.01	14.70
Net Operating Cash Flow	(46)	77	545	417	EBITDA	65.59	30.42	21.30	14.80
					Net Profit	57.01	23.49	23.02	17.11
Change in fixed assets - net	(357)	(639)	(356)	(272)	Profitability (%)				
Others	(0)	(33)	22	(4)	Gross margin	14.49	12.43	12.22	11.82
Net Investing Cash Flow	(357)	(672)	(334)	(275)	Operating margin	11.73	9.89	9.72	9.22
					EBITDA margin	15.62	13.22	13.13	12.46
Change in borrowings - net	(62)	976	(330)	(165)	Net Profit margin	7.84	6.29	6.33	6.13
Change in equity	(4)	(2)	-	-	ROAA	5.99	5.75	5.85	6.46
Change in other liabilities	29	(4)	(7)	6	ROAE	11.80	13.22	14.64	15.32
Dividend payment	(55)	(85)	(101)	(124)	Solvency (x)				
Adjustment	13	7	10	11	Current ratio	1.31	1.03	1.18	1.27
Net Financing Cash Flow	(78)	891	(428)	(272)	Quick ratio	0.94	0.79	0.88	0.94
					DER	0.19	0.54	0.37	0.28
Change in cash	(481)	296	(217)	(131)	EBITDA coverage	9.62	8.01	7.07	8.93
					Net debt to equity	0.05	0.30	0.23	0.20
Cash at the beginning period	824	342	638	420					
Cash at the ending period	342	638	420	290					

Source: Company data and Lotus Andalan Research

Notes:

The definitions of Lotus Andalan Research for Investment Ratings:

- **BUY** : +15% and above, over the next 12 months
- **Neutral** : -15% to +15%, over the next 12 months
- **SELL** : -15% and worse, over the next 12 months

PT Lotus Andalan Sekuritas

Wisma KEIAI 15th Floor
Jl. Jendral Sudirman Kav. 3
Jakarta 10220
Tel : +6221 5785 1818
Fax : +6221 5785 1717

BRANCH OFFICE

Pluit

Kawasan CBD Pluit Blok A No.20
Jl. Pluit Selatan Raya No.1
Jakarta 14440
Tel : +6221 66675345
Fax : +6221 66675234

Kelapa Gading

Sentra Bisnis Artha Gading
Jl. Boulevard Artha Gading Blok A6B No. 7
Jakarta Utara 14240
Tel : +6221 45856402
Fax : +6221 45873961

Bandung

Komplek Paskal Hyper Square Blok C No. 15
Jl. Pasir Kaliki No. 25 - 27
Bandung 40181
Tel : +6222 86061027
Fax : +6222 86060684

Puri

Rukan Grand Taman Aries Niaga
Jl. Taman Aries – Kembangan Blok G 1 No. 1 I
Jakarta Barat 11620
Tel : +6221 2931 9515
Fax : +6221 2931 9516

Surabaya

Ruko Permata Bintoro
Jl. Ketampon Kav 1-2
Surabaya
Tel : +6231 562 2555
Fax : +6231 567 1398

Medan

Jalan Kartini No.5
Medan 20152
Tel : +6261 451 8855
Fax : +6261 451 6836

Medan

Kampus STMIK-STIE MIKROSKILL
Jl. Thamrin No 140
Medan 20152

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